



# ANACLE SYSTEMS

————— 2021 ANNUAL REPORT —————

Anacle Systems Limited  
安科系統有限公司\*  
(Incorporated in the Republic of Singapore with limited liability)  
Stock code: 8353

\* for identification purpose only

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lau E Choon Alex (*Chief Executive Officer*)

Mr. Ong Swee Heng (*Chief Operating Officer*)

### Non-Executive Directors

Mr. Lee Suan Hiang (*Chairman*)

Prof. Wong Poh Kam

Dr. Chong Yoke Sin

### Independent Non-Executive Directors

Mr. Alwi Bin Abdul Hafiz

Mr. Elango Subramanian

Mr. Li Man Wai

## BOARD COMMITTEES

### Audit Committee

Mr. Li Man Wai (*Chairman*)

Mr. Elango Subramanian

Dr. Chong Yoke Sin

### Remuneration Committee

Mr. Alwi Bin Abdul Hafiz (*Chairman*)

Mr. Li Man Wai

Prof. Wong Poh Kam

### Nomination Committee

Mr. Lee Suan Hiang (*Chairman*)

Mr. Alwi Bin Abdul Hafiz

Mr. Elango Subramanian

## COMPLIANCE OFFICER

Mr. Ong Swee Heng

## JOINT COMPANY SECRETARIES

Ms. Yue Sau Lan, ACG, ACS

Ms. Sylvia Sundari Poerwaka

## AUTHORISED REPRESENTATIVES

Mr. Lau E Choon Alex

Mr. Ong Swee Heng

## AUDITOR

BDO Limited

## HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited

Room 2103B, 21/F. 148 Electric Road

North Point

Hong Kong

## HEADQUARTERS, REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

3 Fusionopolis Way

#14-21 Symbiosis

Singapore 138633

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

31/F. 148 Electric Road

North Point

Hong Kong

## PRINCIPAL BANKER

DBS Bank Ltd

12 Marina Bay Boulevard, Level 3

Marina Bay Financial Centre Tower 3

Singapore 018982

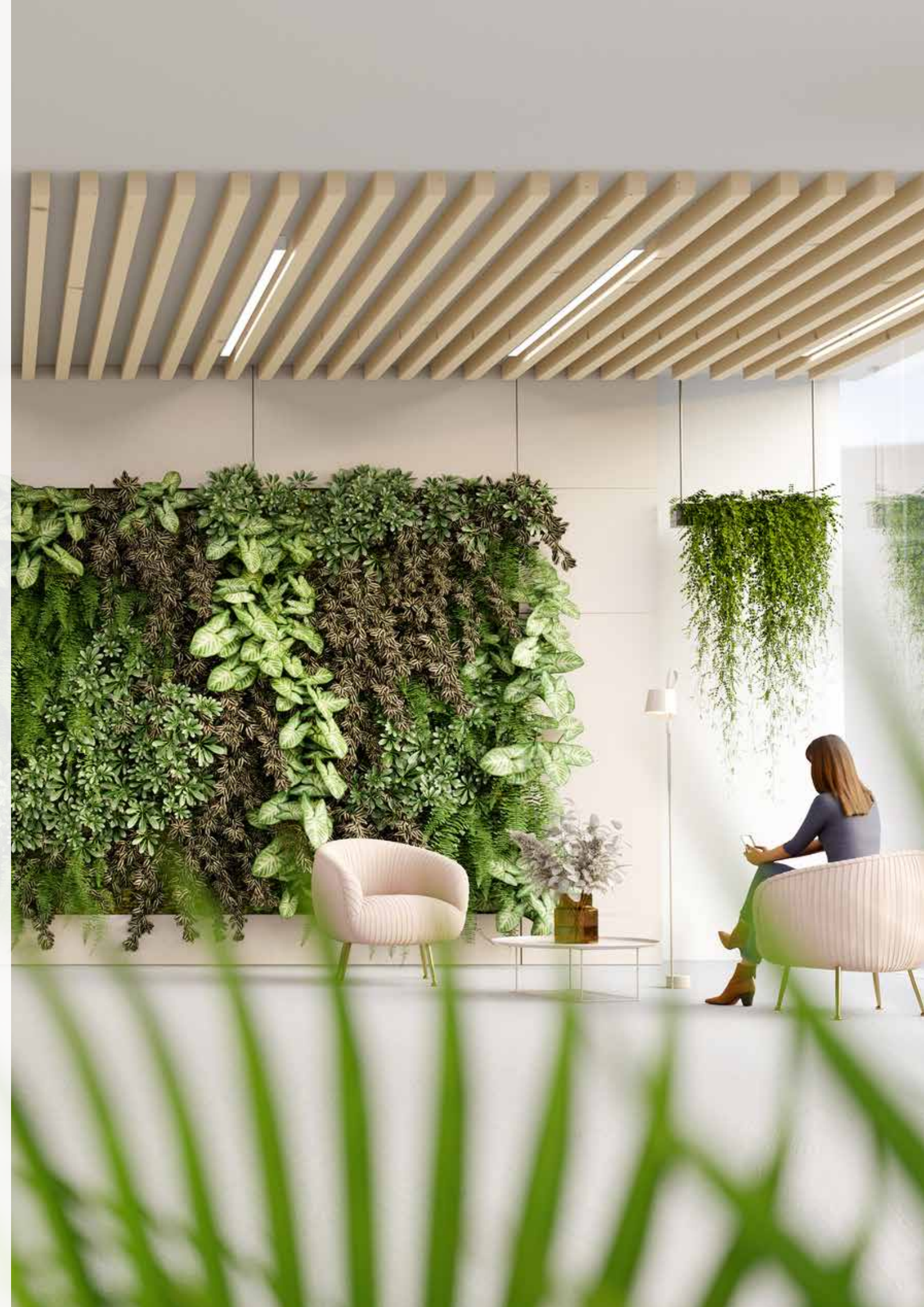
## COMPANY WEBSITE

[www.anacle.com](http://www.anacle.com)

## GEM STOCK CODE

8353





## CHAIRMAN'S STATEMENT

Dear shareholders,

We are pleased to present to you the annual report of Anacle Systems Limited ("Anacle") for the year ended 31 May 2021 ("FY2021").

### Performance

We performed much better in FY2021 than FY2020. Despite the continued depressed global economy due to the COVID-19 pandemic, we recorded significantly improved sales and profitability across most of our business units, achieving net profitability after consecutive years of losses. Overall, Anacle closed FY2021 with sales of S\$22.2 million and net profit after tax of S\$2.1 million (compared to sales of \$18.9 million and net loss after tax of S\$0.1 million in FY2020).

Our Smart City Management Software ("Simplicity®") business unit recorded an impressive 38.4% revenue increase from S\$13.3 million in FY2020 to S\$18.4 million in FY2021. This is contributed by broad sector increase in demand for our software due to industry-wide digitalization trends. Gross margin dropped from 46.2% in FY2020 to 38.1% in FY2021 mainly due to increased manpower costs because of scarcity of IT talent exacerbated by travel restrictions. Our Utilities Revenue Assurance Platform ("myBill®") recorded a 12.5% decrease in revenue from S\$1.9 million in FY2020 to S\$1.7 million in FY2021 due to re-alignment of pricing from contract renewals; however this is more than offset by a 72% increase of gross profit from S\$492,000 in FY2020 to S\$848,000 in FY2021. Our Smart Utilities Management Solution ("Starlight®") was adversely affected by the pandemic and recorded a 50.8% drop in revenue from S\$3.5 million in FY2020 to S\$1.7 million in FY2021.

### Milestones

FY2021 was an eventful year. We successfully delivered the first two releases (out of four) of our largest Simplicity® project to date – the Integrated Estate Management System for the Singapore Housing Development Authority. We also secured a major project from the CP Group – to deliver a property management system for Lotus's, Thailand's largest retail outlet chain.

The flagship product for Starlight®, the Tesseract® ultra-smart meter, was also selected as a major contender for Singapore's next generation smart metering infrastructure, slated for mass roll-out starting in 2023.

## CHAIRMAN'S STATEMENT

### Challenges

The continued resurgence of COVID-19 variants throughout the world has caused huge uncertainties for the global economy. We expect our operating environment to remain challenging in the year ahead.

### Outlook

Our cash flow generation remains strong and sufficient to sustain our operations. As of 31 May 2021, we have accumulated S\$8.2 million of cash reserves from our business operations. As we continue in this uncertain pandemic era, with many major economies unsure of how to exit the crises, we will be prudent with our cash management and investment activities. A successful FY2021 allowed us to accumulate a strong balance sheet, build a healthy order book and lay out a robust sales pipeline, and by continuing to strengthen our technology and delivery quality, the future remains optimistic for Anacle.

### Acknowledgements

I would like to thank our shareholders for their confidence in Anacle, especially during these difficult and uncertain times. I would also like to thank our business partners and customers for their continued support to Anacle. Last but not least, I would like to express my heartfelt appreciation to my fellow directors and to our management and staff, for their unwavering commitment and invaluable contributions to the Company.

Lee Suan Hiang  
Chairman  
Singapore, 20 August 2021

# 2021 FINANCIAL HIGHLIGHTS

Revenue (S\$ 000)	Gross Profit (S\$ 000)	Adjusted net profit/ (loss) before tax <sup>(1)</sup> (S\$ 000)	Adjusted EBITDA <sup>(2)</sup> (S\$ 000)	Basic earnings/ (loss) per share (Singapore cents)
<b>22,165</b>	<b>9,023</b>	<b>2,166</b>	<b>4,063</b>	<b>0.54</b>
2020: 18,933	2020: 7,594	2020: 941	2020: 2,898	2020: 0.07
2019: 13,333	2019: 2,708	2019: (5,689)	2019: (4,560)	2019: (1.57)

(S\$ 000)	Simplicity® Commercial Real Estate Solution <sup>(4)</sup>	Simplicity® Corporate Real Estate Solution <sup>(4)</sup>	Simplicity® Industrial Asset Management Solution <sup>(4)</sup>	Starlight® Smart Utilities Management Solution <sup>(5)</sup>	myBill® Utilities Revenue Assurance <sup>(4)</sup>	SpaceMonster® Online Venue Booking Portal <sup>(6)</sup>
<b>Revenue<sup>(3)</sup></b>	<b>12,019</b>	<b>4,479</b>	<b>1,962</b>	<b>1,699</b>	<b>1,671</b>	<b>335</b>
	▲ 148.8%	▼ (27.7%)	▼ (15.1%)	▼ (50.8%)	▼ (12.5%)	▲ 46.9%
	2020: 4,831	2020: 6,199	2020: 2,311	2020: 3,455	2020: 1,909	2020: 228
	2019: 4,599	2019: 4,905	2019: 810	2019: 2,318	2019: 550	2019: 151
<b>Gross profit/ (loss)<sup>(3)</sup></b>	<b>3,517</b>	<b>2,492</b>	<b>1,022</b>	<b>815</b>	<b>848</b>	<b>329</b>
	▲ 38.2%	▲ 3.4%	▼ (15.5%)	▲ 11.5%	▲ 72.4%	▲ 58.2%
	2020: 2,544	2020: 2,410	2020: 1,209	2020: 731	2020: 492	2020: 208
	2019: 2,248	2019: 1,296	2019: (161)	2019: (606)	2019: (201)	2019: 132

Total assets (S\$ 000)	Non-current assets (S\$ 000)	Current assets (S\$ 000)	Total liabilities (S\$ 000)	Non-current liabilities (S\$ 000)	Current liabilities (S\$ 000)
<b>23,224</b>	<b>5,779</b>	<b>17,445</b>	<b>9,146</b>	<b>3,506</b>	<b>5,640</b>
2020: 15,651	2020: 2,112	2020: 13,539	2020: 3,823	2020: 79	2020: 3,744
2019: 15,401	2019: 4,167	2019: 11,234	2019: 3,477	2019: 75	2019: 3,402

- (1) Adjusted net profit/(loss) before tax is calculated as the Group's net income before tax excluding impairment loss, share-based payments and listing expenses.
- (2) Adjusted EBITDA is calculated as adjusted net profit before tax excluding depreciation, amortisation and interest expenses.
- (3) This report provides alternative performance measures which are not defined or specified under the requirements of the International Financial Reporting Standards. We believe this measure provide readers with additional information on our business.
- (4) Commercial Real Estate, Corporate Real Estate, Industrial Asset Management Solutions and myBill® Utilities Revenue Assurance are collectively reported as Simplicity® and myBill® business segment.
- (5) Smart Utilities Management Solution is our Starlight® business segment.
- (6) SpaceMonster Online Venue Booking Portal is our SpaceMonster® business segment.



# FINANCIAL SUMMARY

	2021 S\$	2020 S\$	2019 S\$	2018 S\$	2017 S\$
Revenue	22,164,921	18,933,335	13,333,417	15,100,602	13,333,991
Cost of sales	(13,142,101)	(11,339,175)	(10,625,124)	(9,203,237)	(7,246,113)
Gross profit	9,022,820	7,594,160	2,708,293	5,897,365	6,087,878
Other revenue	989,805	801,630	79,551	55,112	60,161
Other gains and losses	(441,594)	(213,089)	(88,201)	(222,353)	(486,400)
Marketing and other operating expenses	(1,333,852)	(1,604,467)	(2,136,998)	(1,558,100)	(1,419,210)
Administrative expenses	(5,022,718)	(4,652,929)	(4,642,212)	(3,643,045)	(3,852,953)
Research and development costs	(981,261)	(871,223)	(1,672,626)	(159,537)	(92,423)
Impairment of intangible assets	-	(716,988)	(1,465,038)	-	-
Impairment of property, plant and equipment	-	(316,049)	-	-	-
Finance costs	(66,871)	(36,324)	(1,060)	-	(887)
Share of loss of an associate	-	(110,223)	(25,859)	-	-
Listing expenses	-	-	-	-	(2,447,780)
Profit/(loss) before income tax	2,166,329	(125,502)	(7,244,150)	369,442	(2,151,614)
Income tax (expense)/credit	(33,256)	(5,872)	331,433	(84,662)	(172,430)
Profit/(loss) for the year	2,133,073	(131,374)	(6,912,717)	284,780	(2,324,044)
Profit/(loss) before income tax	2,166,329	(125,502)	(7,244,150)	369,442	(2,151,614)
Add back:					
Impairment of intangible assets	-	716,988	1,465,038	-	-
Impairment of property, plant and equipment	-	316,049	-	-	-
Share-based payments	-	33,648	90,490	175,966	362,218
Listing expenses	-	-	-	-	2,447,780
Adjusted profit/(loss) before tax	2,166,329	941,183	(5,688,622)	545,408	658,384
Adjust for:					
Depreciation	938,458	908,666	131,072	178,468	306,895
Amortisation	891,740	1,012,207	996,177	550,627	642,870
Finance costs	66,871	36,324	1,060	-	887
Adjusted EBITDA	4,063,398	2,898,380	(4,560,313)	1,274,503	1,609,036
	2021 S\$	2020 S\$	2019 S\$	2018 S\$	2017 S\$
Assets and liabilities					
Non-current assets	5,779,320	2,111,519	4,167,430	6,449,874	4,823,160
Current assets	17,444,884	13,539,070	11,234,246	15,880,895	14,914,181
Current liabilities	5,640,254	3,743,923	3,401,923	4,018,610	1,941,902
Net current assets	11,804,630	9,795,147	7,832,323	11,862,285	12,972,279
Non-current liabilities	3,505,906	79,384	75,084	456,857	406,845
Net assets	14,078,044	11,827,282	11,924,669	17,855,302	17,388,594

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Digitalizing the Smart City

Anacle Systems provides innovative and practical technology solutions for the built environment. We are well-recognized in the domain of Smart City technologies. Our team of more than 100 professionals specializes in developing products for the real estate, asset and utilities management industries. Our customers – primarily large organizations from the public sector, commercial real estate and utilities, manage large real estate and infrastructure portfolios. We have grown steadily since founding in 2006 and listing in 2016, and is currently recognized as the premium brand in South East Asia for commercial & corporate real estate management software, industrial asset management software, and water and energy management solutions.

In Financial Year ended 31 May 2021, we continue to acquire marquee customers, expand into new industries and build a strong base of recurring revenue. All of our business segments recorded improved revenue and gross profit, with the exception of the Starlight® smart utilities segment which faced pressure from the COVID-19 pandemic.

We have also achieved ISO 27001 and ISO 27018 certification for Information Security Systems Management, a major requirement by the industry for SaaS providers; this affirms our high standards in cybersecurity and information management.

### FY2021 – Inflection Point for Anacle Systems

Financial Year 2021 represented a major inflection point of the development of the Group. The first milestone is the major Simplicity® project win with the Singapore Housing Development Board; the Integrated Estate Management System is the largest project of its kind in South East Asia, and also the largest contract awarded in the Group's history. Our ability to secure the contract against very strong global competitors such as IBM and Johnson Controls is testament to the market recognition of the quality and capability of our Simplicity® product as well as the competency of our delivery teams.

This is followed by the wave of intense digitalization caused by the COVID-19 pandemic, with wide-scale lockdowns and disruptions to traditional ways of operations; this opened up substantial sustained demand for our software products. We have scored major wins against strong competition in many tenders, for example CP Group's Lotuss' Property Management System, with more than 2,000 properties and 46,000 tenants, and Keppel Data Centres' Command System.

The final milestone is the selection of our Tesseract® ultra-smart electricity meter by the Singapore government to trial for the next generation smart metering infrastructure primed for mass roll-out in 2023. This is the culmination of three years of marketing effort to showcase the world's smartest meter in the world's smartest city.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Outlook

The outlook is measured for the Group. In the short term, revenue and profit growth will be driven by the Simplicity® business segment, with myBill® augmenting for the medium term and Starlight® providing upside in the long term. However uncertainties persist because of continued resurgence of COVID-19 variants throughout the world

Demand for SaaS delivery of Simplicity® is growing, and this will improve our future prospects for recurring revenue as the dominant class of revenue stream. We have expanded into fast growing new markets such as data centres, with the acquisition of one of the region's data centre leader Keppel Data Centres. There is also strong demand in the South East Asian market for Simplicity® software. Outside of our success in Singapore, we have acquired top national real estate champions such as the CP Group of Thailand, Vincom of Vietnam and Armada Properties of Brunei as customers. This contributes to a healthy order book and also to higher quality revenue.

In the utilities revenue assurance market, the potential liberalization of billing services for water and gas in 2022 opens up a major market for the myBill® platform just as the Open Electricity Market entered into a stable and stagnant phase.

For Starlight®, the main goal is to win a major share of Singapore's next generation metering infrastructure with the Tesseract®. 200,000 meters will be up for grabs in 2023, and remaining 1.4 million meters over 2024 to 2026. It is our hope that a major showcase in Singapore will drive demand throughout Asia.

We plan to ramp up our sales and marketing for another round of push to the region, including South East Asia, China and Hong Kong, as well as the Middle East. We will also move into appropriate fast growing new industries such as data centres, and continue to add to our portfolio of products so we can increase revenue from existing client base.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Simplicity® Revenue

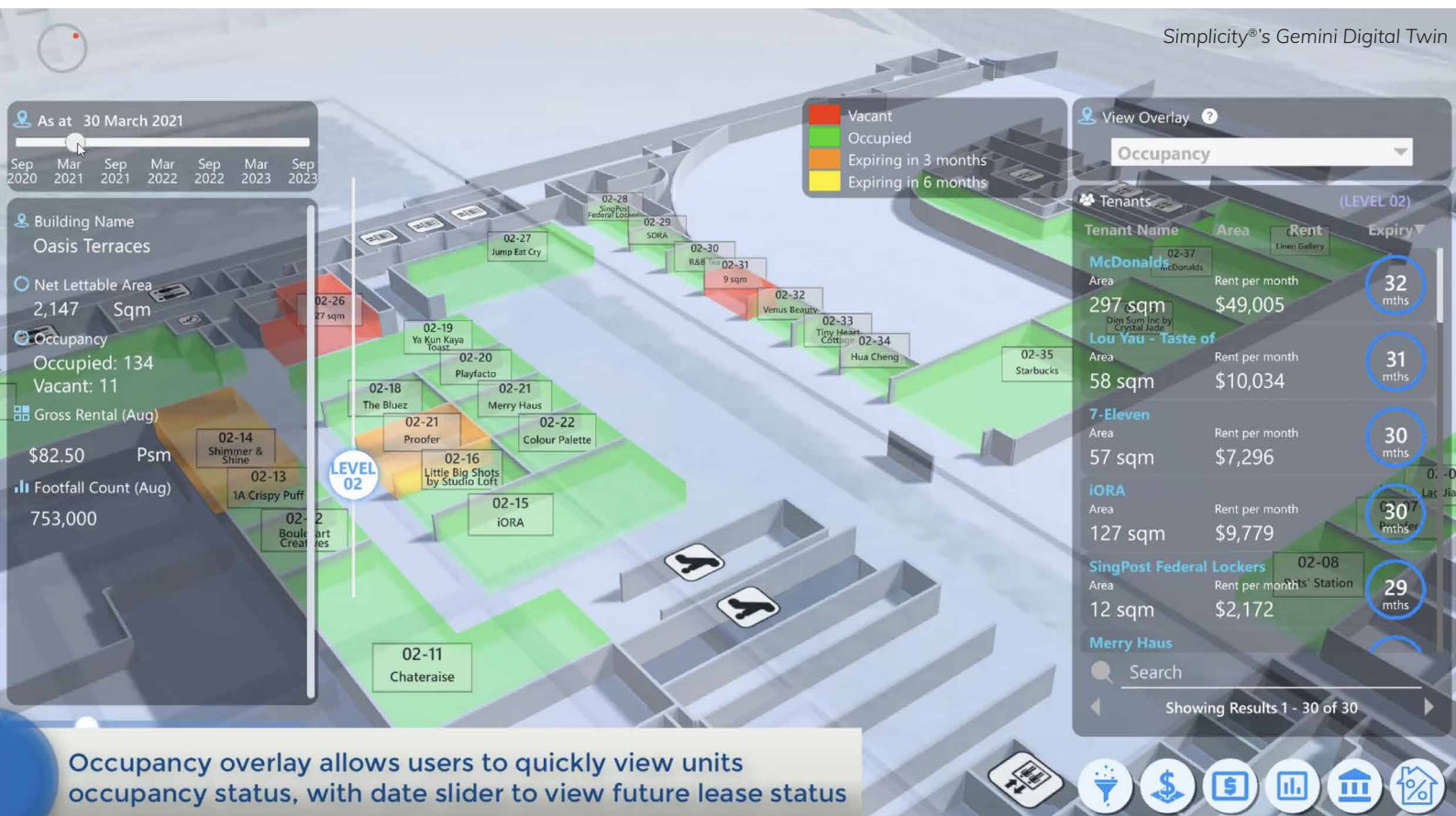
#### Introduction to Simplicity®

Simplicity® is a suite of business software applications specialized for operations of the built environment. Simplicity® is cloud and mobile apps-enabled, and designed to be extremely easy to use and simple to implement. In particular, Simplicity® is specially designed to meet the advanced and complex requirements of large enterprises in Asia. Simplicity® software is now primarily offered on a SaaS model; we also offer professional services to assist clients in the implementation and ongoing support of their Simplicity® software.

There are three major vertical solutions within Simplicity® catering to different market segments: Simplicity® Commercial Real Estate Management (“CommREM”) Solution, Simplicity® Corporate Real Estate Management (“CorpREM”) Solution, and Simplicity® Industrial Enterprise Asset Management (“IndEAM”) Solution.

Targeted at commercial landlords and asset/property managers, Simplicity® CommREM is the most comprehensive, sophisticated and powerful software solution for the management of commercial real estate portfolio in Asia. Simplicity® CommREM provides workflow-driven end-to-end automation and advanced big data analytics for the rental, finance and property management operations of large commercial real estate companies. Scalable to thousands of properties covering office, retail, industrial, logistics, self-storage, residential and food court assets, Simplicity® CommREM is trusted by Asia’s leading real estate companies.

Targeted at large companies and organizations occupying substantial real estate, Simplicity® CorpREM gives organizations operational and financial visibility to all aspects of their corporate real estate, including advanced space, asset and shared resources management and optimization capabilities. Simplicity® CorpREM utilizes 3D models based on Digital Twin technologies that are easy to create and maintain; it is the first solution free from cumbersome and expensive traditional 2D CAD components. Suitable for any large enterprises with more than one million square feet of space or more than ten thousand assets to manage, Simplicity® is the best tool for the management of corporate real estate and assets.





## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

Revenue (S\$)	Simplicity® Commercial Real Estate Solution	Simplicity® Corporate Real Estate Solution	Simplicity® Industrial Asset Management Solution	Simplicity® Total
Project	<b>10,882,104</b> 2020: 4,169,534 2019: 3,779,895	<b>2,486,805</b> 2020: 5,068,971 2019: 3,909,538	<b>1,124,591</b> 2020: 1,175,928 2019: 347,558	<b>14,493,500</b> 2020: 10,414,433 2019: 8,036,991
Recurring	<b>1,136,558</b> 2020: 661,463 2019: 818,646	<b>1,992,772</b> 2020: 1,130,254 2019: 995,854	<b>837,889</b> 2020: 1,135,224 2019: 462,606	<b>3,967,219</b> 2020: 2,926,941 2019: 2,277,106
Total	<b>12,018,662</b> 2020: 4,830,997 2019: 4,598,541	<b>4,479,577</b> 2020: 6,199,225 2019: 4,905,392	<b>1,962,480</b> 2020: 2,311,152 2019: 810,164	<b>18,460,719</b> 2020: 13,341,374 2019: 10,314,097

#### Simplicity® Revenue

##### Introduction to Simplicity®

Targeted at the process and utilities industries, Simplicity® IndEAM is the most comprehensive and advanced solution for the management of mission critical assets. Simplicity® IndEAM provides workflow driven end-to-end field-service automation and advanced big data analytics for the maintenance, safety and supply chain operations of process plants and utilities. Scalable to thousands of sites and millions of mission critical assets and network elements, Simplicity® IndEAM is suitable for industries varying from pharmaceutical, food & beverage, chemical, oil & gas, power, water & wastewater, military, transport infrastructure, healthcare to data centers & telecommunications.

##### The year under review

Simplicity® project revenue comprises of on-premise system design and implementation services and on-going systems enhancement. Recurring revenue comprises of subscription fees from our SaaS model, and systems technical support.

Accounting for the majority of segment revenue, system design and implementation fees typically come from new customers. On-going system enhancements and recurring revenue are driven by both existing and newly acquired customers.

Total revenue for Simplicity® increased by 38.4% from S\$13.341 million for the year ended 31 May 2020 to S\$18.461 million for the year ended 31 May 2021. Project revenue for Simplicity® increased by 39.2% while recurring revenue increased by 35.5%.

Simplicity® CommREM solution recorded an overall 148.8% revenue growth. It is primarily contributed by 161.0% growth in project revenue from the Smart Estate Management System project awarded in the last financial year by the Singapore Housing Development Authority. Recurring revenue grew by 71.8% as we became the dominant player in the commercial real estate market.

Simplicity® CorpREM solution had a decrease of 27.7% in the overall revenue. The public sector which provided the bulk of Simplicity® CorpREM revenue was impacted by COVID-19 pandemic resulting in lesser new projects during the financial year ended 31 May 2021. The decrease of approximately 50.9% in project revenue was partially offset by 76.3% growth in recurring revenue from existing customers.

Simplicity® IndEAM solution had a 15.1% decrease in overall revenue, a set-back caused by a fall in demand from the process industry sector; decrease is evident in both project based revenue and recurring revenue, by 4.4% and 26.2% respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

Revenue (S\$)	myBill® Utilities Revenue Assurance
Project	<b>171,520</b> 2020: 120,600 2019: 166,760
Subscription	<b>1,499,600</b> 2020: 1,788,457 2019: 383,393
<b>Total</b>	<b>1,671,120</b> 2020: 1,909,057 2019: 550,153

### myBill® Revenue

#### Introduction to myBill®

myBill® is a revenue assurance platform for energy retailers and other utility companies to manage their utility contracts with their customers and automatically generate bills, collect payment and compute arrears. myBill®'s unique business model charges a monthly fee per customer account onboarded to the platform, greatly aligning our interests with those of the energy retailers. myBill® is designed primarily for energy retailers participating in the Open Electricity Market in Singapore; the platform can also support other types of utilities such as water and gas.

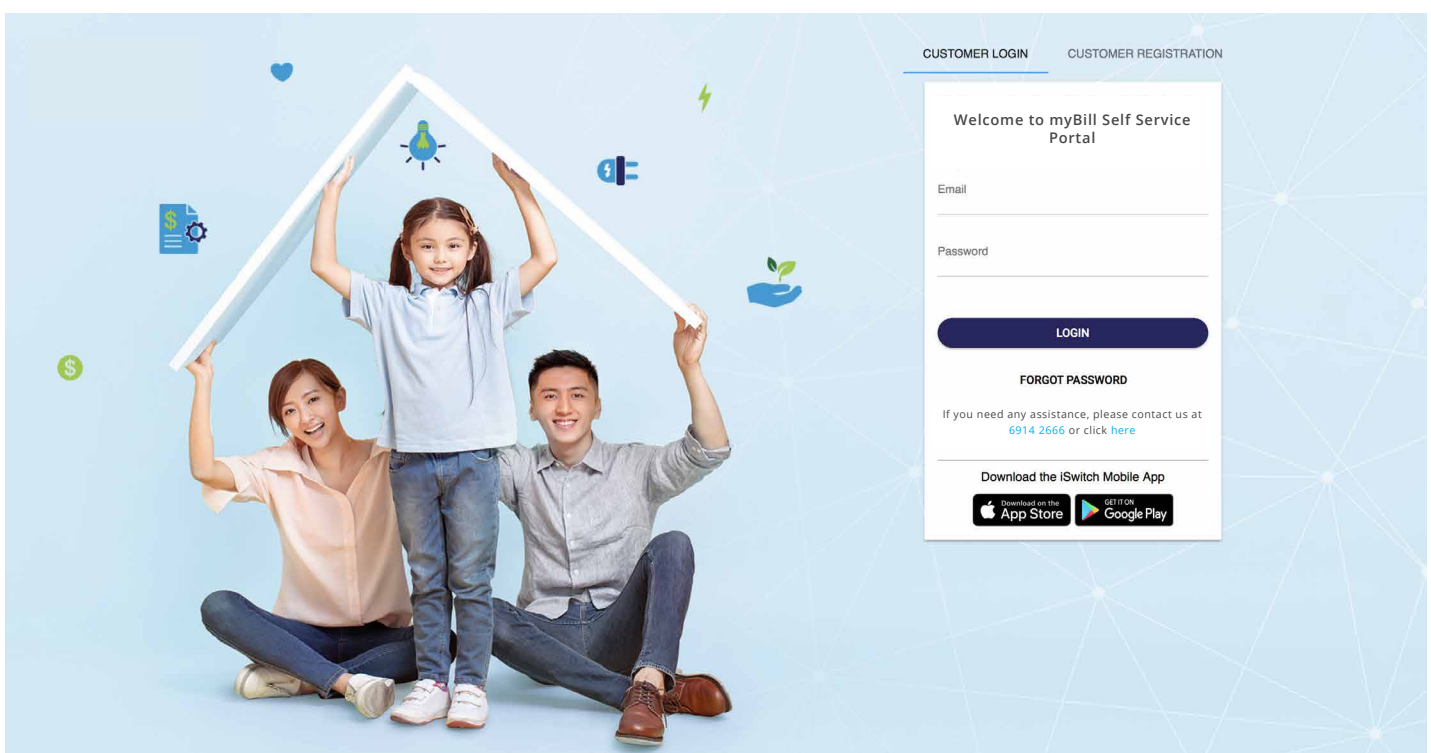
Recurring subscription revenue represents the monthly fee charged per customer account managed on the platform.

#### The year under review

As at 31 May 2021, myBill® had 101,502 customer accounts onboarded to the platform as compared to 100,552 as at 31 May 2020. In the year ended 31 May 2021, myBill® generated billing for a total of 1,239,746 customer accounts as compared to 1,085,623 for the year ended 31 May 2020.

During the year ended 31 May 2021, in order to extend the contract term with our key customers, we right-aligned myBill®'s subscription fee structure resulting in a decrease of 16.2% in subscription revenue from S\$1.788 million in the year ended 31 May 2020 to S\$1.500 million in the year ended 31 May 2021. Project revenue from customised enhancements grew by 42.2%. Overall, myBill® had a 12.5% decrease in revenue from S\$1.909 million in the year ended 31 May 2020 to S\$1.671 million in the year ended 31 May 2021.

During the year ended 31 May 2021, we improved the myBill® platform by launching a value-added integrated customer relationship management ("CRM") module. Previously, the CRM functions are provided by a third-party vendor; the launch of myBill® CRM module eliminated this third party cost resulting in increased gross profit. Gross profit margin increased from 25.8% in the year ended 31 May 2020 to 50.7% in the year ended 31 May 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

Revenue (S\$)	Starlight® Smart Utilities Management
Project	<b>1,319,320</b> 2020: 3,156,610 2019: 2,026,073
Recurring	<b>320,160</b> 2020: 239,470 2019: 235,810
Rental	<b>59,025</b> 2020: 58,470 2019: 56,095
<b>Total</b>	<b>1,698,505</b> 2020: 3,454,550 2019: 2,317,978

#### Starlight® Revenue

##### Introduction to Starlight®

The Starlight® business segment is anchored by the Starlight® Smart Utilities Management Solution (“UMS”), a cloud-based smart energy and water management IoT platform. The Starlight® UMS provides end-to-end revenue and non-revenue energy and water management using advanced IoT sensors, wireless communications and sophisticated data analytics.

##### The year under review

Starlight® project revenue consists of Starlight® hardware (including the state of the art Tesseract® Ultra-smart Electricity Meter) and software sales, as well as services including onsite installation of hardware and implementation of Starlight® UMS software. Recurring revenue includes maintenance and technical support services for installed sites, while rental revenue represents to fees for renting of Starlight® hardware.

Total revenue for Starlight® decreased by 50.8% from S\$3.455 million for the year ended 31 May 2020 to S\$1.699 million for the year ended 31 May 2021. This is mainly driven by the slowdown in new projects due to the pandemic. Project revenue for Starlight® decreased substantially by 58.2%, while recurring revenue increased by 33.7%, and rental revenue increased by a modest 0.9%.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

(S\$)	Simplicity® Commercial Real Estate Solution	Simplicity® Corporate Real Estate Solution	Simplicity® Industrial Asset Management Solution	Simplicity® Total
<b>Cost of Sales</b>	<b>(8,501,796)</b>	<b>(1,987,069)</b>	<b>(940,050)</b>	<b>(11,428,915)</b>
	2020: (2,287,430)	2020: (3,789,100)	2020: (1,102,347)	2020: (7,178,877)
	2019: (2,350,576)	2019: (3,608,768)	2019: (971,492)	2019: (6,930,836)
<b>Gross Profit/ (Loss)</b>	<b>3,516,866</b>	<b>2,492,508</b>	<b>1,022,430</b>	<b>7,031,804</b>
	2020: 2,543,567	2020: 2,410,125	2020: 1,208,805	2020: 6,162,497
	2019: 2,247,965	2019: 1,296,624	2019: (161,328)	2019: 3,383,261
<b>Gross Profit Margin</b>	<b>29.3%</b>	<b>55.6%</b>	<b>52.1%</b>	<b>38.1%</b>
	2020: 52.7%	2020: 38.9%	2020: 52.3%	2020: 46.2%
	2019: 48.9%	2019: 26.4%	2019: (19.9%)	2019: 32.8%

#### Simplicity® Cost of Sales and Gross Profit

##### Cost of Sales

Cost of sales consists primarily of third party professional services, third party hardware, third party software licences, cloud hosting, staff salaries, and amortisation of Simplicity® intangible assets.

Cost of sales for Simplicity® increased by 59.2% from S\$7.179 million in the year ended 31 May 2020 to S\$11.429 million in the year ended 31 May 2021. The increase was primarily due to CommREM's increased cost of sales to support its revenue growth. The decrease for CorpREM and IndEAM cost of sales were due to the corresponding decrease in their revenue. Other factors contributing to the overall increase in cost of sales was lower productivity due to staff turnover, as we need time to train the new hires before they can reach the same level of proficiency as existing staff. Staff retention challenges are exacerbated by the worsening shortage in IT professionals in Singapore due to pandemic talent import constraints.

##### Gross Profit

Gross profit from system implementation fees for new customers are typically lower than gross profit from on-going system enhancements and recurring revenue. This is because it is more difficult to estimate project budget accurately, and we also need time to learn about and adapt to the new customers.

Approximately 90.5% of Simplicity® CommREM revenue in the year ended 31 May 2021 was project based. Revenue from the Smart Estate Management System implemented for the Singapore Housing Development Board accounted for approximately 83.3% of Simplicity® CommREM revenue.

Gross profit for Simplicity® CorpREM has increased during the year ended 31 May 2021 because revenue from the two solutions comprised mainly of on-going system enhancements and recurring technical support.

Gross profit margin for Simplicity® IndEAM solution remained relatively stable despite the decrease in revenue.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

(S\$)	myBill® Utilities Revenue Assurance
<b>Cost of Sales</b>	<b>(823,347)</b> 2020: (1,416,968) 2019: (751,188)
<b>Gross Profit/ (Loss)</b>	<b>847,773</b> 2020: 492,089 2019: (201,035)
<b>Gross Profit Margin</b>	<b>50.7%</b> 2020: 25.8% 2019: (36.5%)

(S\$)	Starlight® Smart Utilities Management
<b>Cost of Sales</b>	<b>(883,877)</b> 2020: (2,723,230) 2019: (2,924,461)
<b>Gross Profit/ (Loss)</b>	<b>814,628</b> 2020: 731,320 2019: (606,483)
<b>Gross Profit Margin</b>	<b>48.0%</b> 2020: 21.2% 2019: (26.2%)

#### myBill® Cost of Sales and Gross Profit

##### Cost of Sales

Cost of sales of myBill® consists primarily of amortisation of myBill®'s intangible asset, staff salaries, depreciation and third party costs.

Approximately 41.9% or S\$593,621 decrease in myBill®'s cost of sales was attributed by a decrease of S\$620,741 in third party cost as a result of the in-house development of value-added integrated customer relationship management ("CRM") module to replace the CRM service provided by a third party vendor.

During the year ended 31 May 2021, myBill® acquired additional hardware infrastructure to support the CRM platform. A depreciation expense amounting to S\$22,734 was incurred during the year ended 31 May 2021. Staff salaries remained stable at S\$287,085 as compared to S\$281,054 in the year ended 31 May 2020.

##### Gross Profit

As a result of the decrease in cost of sales, myBill®'s gross profit almost doubled during the year ended 31 May 2021 to S\$848 thousand from S\$492 thousand in the year ended 31 May 2020, with a gross profit margin of 50.7% in the year ended 31 May 2021 as compared to 25.8% in the year ended 31 May 2020.

#### Starlight® Cost of Sales and Gross Profit

##### Cost of Sales

Starlight®'s cost of sales comprises IoT sensor hardware, professional services for electrical installation, staff salaries and depreciation of leasing assets. As a result of impairment exercised in the year ended 31 May 2020, there was no amortisation expense for Starlight®'s intangible asset during the year ended 31 May 2021. Amortisation expense amounted to S\$107,601 in the year ended 31 May 2020.

Starlight®'s total cost of sales in the year ended 31 May 2021 decreased by 67.5% or S\$1,839,353 as compared to the year ended 31 May 2020. The decrease was in line with the 50.8% dip in Starlight®'s revenue. The other factor contributing to the lower cost of sales was the reduction in manpower costs as there were fewer projects during the year.

##### Gross Profit

Starlight®'s quality of revenue from adhoc on-site hardware installation and Starlight® UMS software implementation for existing customers are better as compared to revenue from major project which typically involves more manpower and higher cost of hardware and higher third party electrical installation costs. The slowdown in new project caused by COVID-19 pandemic was offset by the adhoc project revenue from existing customers which resulted in a higher gross profit margin of 48.0% in the year 31 May 2021 as compared to 21.2% in the year ended 31 May 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Other revenue

Government grant comprised wage support received under the Job Support Scheme (“JSS”) from the Singapore government aimed to help companies to retain local employees during COVID-19 pandemic amounted to S\$779,048 (31 May 2020: S\$490,539), wage credit of S\$89,003 (31 May 2020: S\$26,980), India government’s Service Export Incentive Scheme grant amounted to S\$62,973 received by our India subsidiary (31 May 2020: S\$ Nil), and other government grants of S\$47,976 (31 May 2020: S\$29,482). In the year ended 31 May 2020, S\$219,829 of government grant was received in respect of research and development for TESSERACT.

#### Other gains and (losses)

Provision for slow-moving inventories comprised Starlight®’s raw material. Additional provision was made in the year ended 31 May 2021 due to the uncertainties in manufacturing schedule due to COVID-19 pandemic afflicting India, where our Starlight® contract manufacturers were located at. The increase in provision for receivables impairment was due to the increase in the Group’s receivables.

#### Marketing and other operating expenses

The combination of overseas travelling restriction and public gathering due to COVID-19 pandemic as well as our shift of focus to domestic Singapore market resulted in the lower sales and marketing expenditure.

Lower product warranty provisions for Starlight® in line with the decrease in revenue resulted in lower logistics and distribution expense.

	2021 S\$	2020 S\$
Government grants	979,000	766,830
Gain on deemed disposal of a subsidiary	-	24,502
Interest income	2,308	3,486
Others	8,497	6,812
<b>Total other revenue</b>	<b>989,805</b>	<b>801,630</b>
	2021 S\$	2020 S\$
Net exchange losses	(31,856)	(4,348)
Slow-moving inventories	(178,365)	(531)
Write-off of asset	-	(27,545)
Impairment of receivables and others	(231,373)	(180,665)
<b>Total other gains/(losses)</b>	<b>(441,594)</b>	<b>(213,089)</b>
	2021 S\$	2020 S\$
Sales and marketing	1,055,259	1,293,470
Logistics and distributions	278,593	310,997
<b>Total marketing and others</b>	<b>1,333,852</b>	<b>1,604,467</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Finance costs

Interest on lease liabilities arose from the adoption of IFRS 16 - Leases. Our lease liabilities interest increased in the year ended 31 May 2021 due to a new office lease for our Singapore headquarters which commenced on 15 October 2020 for a term of 3 years with an option for 3 more years. In the year ended 31 May 2020, lease liabilities interest was in respect of an old lease which expired on 31 July 2020. For the year ended 31 May 2021, the Group had no borrowings and did not utilise the trade financing facilities. Interest expense of S\$1,629 in the year ended 31 May 2020 was incurred in respect of the trade financing facilities.

#### Research and development costs

Research and development costs consist of staff salaries, professional fees, software licences, tools, materials, and depreciation of equipment.

There were some minor works to improve Simplicity® and to keep up with the latest technological advancements. Simplicity®'s current framework has reached its five years useful life on 31 May 2021. We plan to improve the framework in the upcoming years to make it less operating-system-dependent and more reliable. myBill® development costs were in relation to the development of billing for electric vehicle charging which we expect to be completed in FY2022. Starlight® costs were mainly for our office in India.

#### Administrative expenses

Staff emoluments, benefits, recruitment costs, and share-based payment have increased by 16.1% in the year ended 31 May 2021 due to an increase in remuneration and benefits so that we remained competitive in the IT talent-hiring market. The increase in depreciation was attributed to the renovation work for our Singapore's headquarters new office. Likewise, the depreciation of the right-of-use asset also increased because of the lease agreement for the new Singapore headquarters office. Our directors' fee had a slight decrease due to a timing difference between the retirement of our non-executive director on 30 September 2020 and the appointment of a new non-executive director on 15 October 2020.

	2021 S\$	2020 S\$
Interest on bank borrowing	-	1,629
Interest on lease liabilities	66,871	34,695
<b>Total finance costs</b>	<b>66,871</b>	<b>36,324</b>
	2021 S\$	2020 S\$
Simplicity®	142,270	121,588
myBill®	57,286	46,279
Starlight®	781,705	703,356
<b>Total research and development costs</b>	<b>981,261</b>	<b>871,223</b>
	2021 S\$	2020 S\$
Staff emoluments	2,523,605	2,270,576
Staff benefits, recruitment and others	494,596	294,884
Share-based payment	-	33,648
Depreciation	106,231	69,353
Depreciation of right-of-use assets	789,710	773,649
Auditors remuneration	138,848	133,386
Rent	4,326	4,963
Directors' fees	141,670	150,000
Professional fees	217,444	288,535
Others	606,288	633,935
<b>Total administrative expenses</b>	<b>5,022,718</b>	<b>4,652,929</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Profit before tax for the year

As a result of the increase in revenue, the Group recorded a net profit before tax of S\$2,166,329 in the year ended 31 May 2021 as compared to a net loss before tax of S\$125,502 in the year 31 May 2020.

#### Adjusted profit before tax for the year

We define our adjusted net profit before tax as profit for the period after adjusting for items which are not indicative of the Group's operating performance. While this is not an IFRSs measure, we add this additional item because the management uses this to analyse the Group's operating performance.

	2021 S\$	2020 S\$
Profit/(loss) before tax	2,166,329	(125,502)
Income tax expense	(33,256)	(5,872)
<b>Profit/(loss) after tax</b>	<b>2,133,073</b>	<b>(131,374)</b>
	2021 S\$	2020 S\$
Profit/(loss) before tax	2,166,329	(125,502)
Adjusted for:		
non-cash items due to adoption of IFRS16	(147,069)	(11,481)
other revenue	(989,805)	(801,630)
other losses	441,594	213,089
impairment of intangible assets	-	716,988
impairment of property, plant and equipment	-	316,049
share of loss of an associate	-	110,223
<b>Adjusted profit before tax</b>	<b>1,471,049</b>	<b>417,736</b>
depreciation	137,228	118,024
amortisation	891,740	1,012,207
interest on loans and borrowings	-	1,629
<b>Adjusted profit before interest, depreciation, and amortisation</b>	<b>2,500,017</b>	<b>1,549,596</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY, FINANCIAL RESOURCES, AND CAPITAL STRUCTURE

#### CASH

An increase in revenue and collection of receivables have improved the cash level.

**CASH**  
S\$ 8,176,761  
2020: S\$ 4,749,041

#### NET CURRENT ASSET

An increase in net current asset was largely contributed by an increase in cash.

**NET CURRENT ASSET**  
S\$ 11,804,630  
2020: S\$ 9,795,147

#### GEARING RATIO

Gearing ratio is calculated by dividing total bank borrowings less bank balances and cash by total equity. There was no outstanding trade financing facilities as at 31 May 2021 (31 May 2020: S\$ Nil).

**GEARING RATIO**  
N/A  
2020: N/A

#### CURRENT RATIO

Current ratio is current assets divided by current liabilities. The decrease in current ratio was due to the increase in trade and other payables as well as the increase in current lease liability from our adoption of IFRS 16 - Leases.

**CURRENT RATIO**  
3.1x  
2020: 3.6x

#### QUICK RATIO

Quick ratio is current assets less inventories divided by current liabilities. The decrease in quick ratio was due to the increase in current lease liability arising from our adoption of IFRS 16 - Leases.

**QUICK RATIO**  
2.9x  
2020: 3.3x

#### TOTAL EQUITY

The increase in total equity was primarily due to a profit after tax of S\$2,133,073 in the year ended 31 May 2021 as compared to a loss after tax of S\$ 131,374 in the year ended 31 May 2020.

**TOTAL EQUITY**  
S\$ 14,078,044  
2020: S\$ 11,827,282

#### ISSUED SHARE CAPITAL

The capital of the Company comprises ordinary shares. During the year ended 31 May 2021 the Company repurchased 1,278,000 of its own shares from the open market at an aggregate consideration of S\$111,421. These repurchased shares were cancelled on 4 February 2021. As at 31 May 2021 the number of the Company's issued ordinary shares was 397,880,496 (31 May 2020: 399,158,496).

**ISSUED SHARE CAPITAL**  
S\$ 20,645,177  
2020: S\$ 20,756,598

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets for the year ended 31 May 2021.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plans for other material investments and capital assets.

### COMMITMENTS

Capital commitments of the Group in respect of an investment in an associate as at 31 May 2021 was S\$191,822 (31 May 2020: S\$195,122).

### CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 May 2021 (31 May 2020: Nil).

### CHARGE ON GROUP'S ASSETS

As at 31 May 2021, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 May 2020: Nil).

### CAPITAL EXPENDITURE

The following table sets out the capital expenditure made by the Group during the financial years ended 31 May 2021 and 31 May 2020:

	Property, plant and equipment (S\$ 000)	Intangible assets (S\$ 000)	Total (S\$ 000)
For the year ended 31 May 2021	784	-	784
For the year ended 31 May 2020	13	-	13

Capital expenditure incurred in the year ended 31 May 2021 was primarily in respect of the renovation of the Group's new headquarters in Singapore.

### FOREIGN EXCHANGE RISK MANAGEMENT

The Group's main operations are in Singapore. Revenue and costs of Singapore operations are mainly denominated in Singapore Dollars ("S\$") which is also the presentation currency of the Group. The Group's operations in Malaysia and India through its subsidiaries are settled in the local currencies of the respective countries.

The Group's main foreign exchange exposure is mainly its cash held in Hong Kong dollars ("HK\$") and Renminbi ("RMB"). The management was of the view that the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

The Group did not have any financial instruments to hedge its foreign currency exposure. The management will, however, continue to monitor the foreign exchange exposure of the Group and will take appropriate measure to minimise the risk.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RISK FACTORS FACED BY THE COMPANY AND RISK MITIGATION MEASURES

#### RISKS RELATING TO OUR BUSINESS

**Revenue generated from the Singapore market accounted for more than 90% of our total revenue.** During the financial year ended 31 May 2021, revenue derived from our sales in Singapore accounted for approximately 96.2% (31 May 2020: 94.0%) of our total revenue. Our business and financial conditions would be adversely affected by any changes in the Singapore government policy or the corporate culture of Singapore, as well as circumstances causing any reduction in the demand for software and IT services in Singapore.

**We derived a substantial portion of our revenue from a single channel partner.**

We have mitigated the risk factor arising from our reliance on a single channel partner from which we derived our substantial revenue from. We have diversified our customer base and have reduced our reliance on any one channel partner. During the financial year ended 31 May 2021, the revenue contribution from a major channel partner accounted for 3.3% of our revenue as compared to 13.7% in the previous year.

We will continue to actively expand our customer base and our channel partner by acquiring and working with more channel partners locally and overseas. We also actively expands our market vertical to lessen the seasonal impact of a single industry.

**We are dependent upon our experienced technical staff and senior management team.**

We rely on the management skills and technical know-how of our executive directors, senior management and technical staff. Competition for competent employees is intense in our industry. Failure to attract or retain suitable employees could adversely affect our business, financial conditions and results of operations.

The Group has provided competitive compensation, incentives and benefits to retain the outstanding employees and attract new employees. Meanwhile, the Group strengthened the training of new staff in order to avoid the impact of employee turnover on business operations. The Group has also implemented employee equity incentive program to increase senior management team's loyalty.

**Our international competitors may localise and new entrants to our industry may become our strong and direct competitors.**

The enterprise software market in Asia is generally dominated by large international corporate vendors over the last decades. According to the Frost & Sullivan Report, these international competitors of our Company lacked localisation and were generally less influential than Asian corporate vendors like our Company. However, these international corporate vendors may decide to expand their businesses in the Asian market and adopt localisation strategies and join the competition to become our strong and direct competitors.

We strive to keep enhancing our products to remain competitive and we have been maintaining good customers relationship to ensure product and brand loyalty.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Our business is subject to seasonal fluctuations.**

Our Group generally records lower sales for the six months from June to November each year, and higher sales from December to May in the following year. Failure to manage seasonality in our business may cause our revenue and financial condition to be materially and adversely affected. We mitigate the seasonal fluctuation in our revenue by controlling our operating capital carefully so as to provide our business with adequate cash for operations.

### **RISKS RELATING TO OUR INDUSTRY**

We are exposed to evolving industry standards and government policies in countries where we operate.

The market in which we operate is characterised by evolving industry standards and government policies, frequent development and enhancement of products and services and changing market demands. Accordingly, our continual success will depend on our abilities to adapt rapidly to the changing industry standards and government policies and to continuously improve the performance, features and reliability of our products in response to competitive offerings and evolving market demands.

We have a team monitoring and anticipating regulatory changes so that we can take action with sufficient time before new regulations set in.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICIES

Employee remuneration is determined by reference to market terms and the performance, qualifications and experience of the individual employee.

Remuneration includes monthly salaries, allowances, contributions on defined contribution retirement plans, performance incentives, share-based payments and other benefits.

Remuneration package is reviewed based on performance appraisals and other factors. Discretionary bonus is given based on individual performance.

The Group is also committed to the employees' continuing education and development. The Group provides in-house training to the employees to keep them abreast of the latest technological know-how. The Group also may sponsor employees to attend external training and courses.

The Company adopted the Pre-IPO Share Option Schemes to promote the interests of the Company by providing eligible individuals who are responsible for the management, growth and financial success of the Company with the opportunity to acquire a proprietary interest in the company and thereby encourage them to remain in the service of the Company.

<b>129 Staff</b>	<b>S\$11.1<sup>m</sup></b>
2020: 136 staff	2020: S\$10.5 <sup>m</sup>

The Group's staff strength as at 31 May 2021 was 104 staff in Singapore (2020: 112 staff), 25 staff in India (2020: 24 staff).



## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

#### Lee Suan Hiang, 71

Chairman & Non-Executive Director

Bachelor of Industrial Design (Engineering),  
Manchester Metropolitan University, Singapore

**Date of first appointment as a director:**

18 December 2013

**Date of appointment as Chairman:**

2 June 2014

**Board committees served on**

Nonnomination Committee (*Chairman*)

**Present directorship in other listed companies**

- Perennial Real Estate Holdings Limited [Stock code: 40S] (Independent Director)
- Viking Offshore & Marine Limited [Stock code: 557] (Independent Director)
- Leader Environmental Technologies Ltd [Stock code: LS9] (Independent Director)
- MindChamps PreSchool Ltd [Stock code: CNE] (Independent Director)

**Background and working experience**

- President of Singapore Economic Development Board Society
- Member of the Board of Governors of the Chartered Management Institute
- Deputy Managing Director of the Singapore Economic Development Board (From April 1993 to January 1995)
- Chief Executive of SPRING Singapore (From April 2002 to October 2003)
- Chief Executive of the National Arts Council (From October 2003 to July 2009)
- Council member of ISO (From 2002 to 2003)
- Chief Executive of the Real Estate Developers' Association of Singapore (REDAS) (From December 2011 to April 2016)

#### Lau E Choon Alex, 48

Group Chief Executive Officer & Executive Director

Bachelor Degree in Computer Science and Electrical Engineering,  
Cornell University, USA  
Master Degree in Electrical Engineering,  
Stanford University, USA

**Date of first appointment as a director:**

21 February 2006

**Background and working experience**

- Co-founder and Director of Buildfolio Technologies Pte. Ltd. (From April 2000 to March 2006).

**Awards**

- Entrepreneur Of The Year, 2017, by Singapore Computer Society

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

#### Ong Swee Heng, 48

Group Chief Operating Officer & Executive Director

Bachelor Degree in Electrical Engineering, National University of Singapore, Singapore

Master Degree in Management of Technology, National University of Singapore

**Date of first appointment as a director:**

21 February 2006

#### Background and working experience

- Defence Engineering and Scientific Officer at the Defence Science & Technology Agency of Control Communications & Computer Systems Organization (From May 1998 to December 1999)
- Project Manager at the Defence Science & Technology Agency of Control Communications & Computer Systems Organization (From January 2000 to November 2003)
- Director of Technical Operations at Buildfolio Technologies Pte. Ltd. (From December 2003 to February 2006)

#### Dr. Chong Yoke Sin, 64

Non-Executive Director

Doctor of Philosophy (PhD) in Chemistry, National University of Singapore, Singapore

**Date of first appointment as a director:**

15 October 2020

**Board committees served on**

Audit Committee

**Present directorship in other listed companies**

- Wilmar Holdings Ltd [Stock code: F34] (Non Executive and Independent Director)

**Present principal commitments (other than directorship in other listed company)**

- iGlobe Partners (II) Pte. Ltd.
- HUUE Inc
- SG Enable
- Docquity Pte Ltd

**Background and working experience**

- President of the Singapore Computer Society
- Chief of Enterprise Business of Starhub (From April 2017 to July 2019)
- Chief Executive Officer of Integrated Health Information Systems (From January 2008 to December 2016)
- Chief Executive Officer of NCS (From September 2004 to December 2007)

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

#### Prof. Wong Poh Kam, 69

##### Non-Executive Director

Bachelor Degree in Physics and Electrical Engineering,  
Massachusetts Institute of Technology, USA  
Master degree in Electrical Engineering and Computer Science,  
Massachusetts Institute of Technology, USA  
Doctoral degree in Urban and Regional Planning,  
Massachusetts Institute of Technology, USA

##### Date of first appointment as a director:

17 October 2007

##### Board committees served on

Remuneration Committee

##### Present principal commitments (other than directorship in other listed company)

- School of Business of National University Singapore (Professor)
- BAF Spectrum Pte. Ltd. (Chairman)

##### Background and working experience

- Lecturer at Universiti Sains Malaysia (From April 1979 to June 1984)
- Senior Lecturer at School of Business of National University Singapore (From September 1988 to June 1996)
- Associate Professor at School of Business of National University Singapore (From July 1996 to December 2007)
- Professor at School of Business of National University Singapore (Since January 2008)

#### Elango Subramanian, 58

##### Independent Non-Executive Director

Fellow, Association of Chartered Certified Accountants  
Fellow, Insolvency Practitioners Association of Singapore Limited  
Member, Institute of Singapore Chartered Accountants  
Accredited Tax Advisor, Singapore Institute of Accredited Tax Professionals Limited

##### Date of first appointment as a director:

24 November 2016

##### Board committees served on

Audit Committee  
Nomination Committee

##### Present principal commitments (other than directorship in other listed company)

- Raffles Corporate Advisory Services Pte. Ltd. (Director)
- Raffles PAC (Director)

##### Background and working experience

- 24 years of experience in accounting, forensic accounting, corporate advisory, tax advisory, litigation support, corporate restructuring and consulting

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

#### Alwi Bin Abdul Hafiz, 59

##### Independent Non-Executive Director

Bachelor Degree in Electrical Engineering, National University of Singapore, Singapore

##### Date of first appointment as a director:

24 November 2016

##### Board committees served on

Remuneration Committee (*Chairman*)  
Nomination Committee

##### Present principal commitments (other than directorship in other listed company)

- Golden Veroleum Liberia Group (Sustainability Advisor)
- Golden Agri Resources (Head of Partnerships)
- Rekanext Capital Partners Pte Ltd (Director)
- Mendaki Social Enterprise Network Pte. Ltd. (Director)
- Malay Heritage Foundation (Board Member)
- Nanyang Technological University (Trustee Emeritus)

##### Background and working experience

- Research associate in Booz-Allen & Hamilton Pte. Ltd. (From March 1987 to December 1987)
- Various senior management position in Hewlett-Packard, until November 2006 after 19 years
- Managing Director positions in British Standards Institution Group (From January 2007 to April 2013)

#### Li Man Wai, 63

##### Independent Non-Executive Director

Diploma in Business Administration, majoring in Accounting,

Lingnan University, Hong Kong

Member, Hong Kong Institute of Certified Public Accountants

Member, Association of Chartered Certified Accountants, United Kingdom

Member, Certified Management Accountants of Ontario, Canada

Certified Practising Accountant, Hong Kong

##### Date of first appointment as a director:

24 November 2016

##### Board committees served on

Audit Committee (*Chairman*)  
Remuneration Committee

##### Background and working experience

- Founded and the sole proprietor of Raymond Li & Co., Certified Public Accountants (Since 1996)

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

#### **Ho Hai Aik**

**Head of Business Consulting  
Anacle Systems Limited**

Hai Aik is primarily responsible for the project management, business consulting, pre-sales support and business development of the Company

Hai Aik has more than 16 years of experience in IT and business consulting. From June 2000 to February 2003, Hai Aik worked as an IT associate (business development) at Cyber-IB Pte. Ltd., a company engaged in providing IT- based consulting services, where he was responsible for project management, business consulting, pre-sales and business development. He had then worked at Buildfolio as a consultant from March 2003 to June 2006, during which he was responsible for project management, account management, pre-sales support and business development.

Hai Aik graduated from Nanyang Technological University in Singapore with a bachelor's degree in Civil Engineering. He also obtained a specialist diploma in e-Commerce from Nanyang Polytechnic in Singapore and a graduate diploma in Business and Finance from Management Development Institute of Singapore which is recognised by Southern Cross University in Australia.

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#### **Sylvia Sundari Poerwaka**

**Chief Financial Officer and Joint Company Secretary  
Anacle Systems Limited**

Sylvia is responsible for overseeing the finance department with the major duty in the area of financial management of the Company.

Sylvia has more than eight years of experience in accounting and auditing. Sylvia started as an audit assistant in Kong, Lim & Partners, LLP, a chartered accounting firm in Singapore, in November 2008 and was promoted to audit senior from December 2009, during which she was responsible for financial statement audit and audit planning. Sylvia worked as the supervisor of the accounts and tax department at the same firm from December 2010 to February 2012

Sylvia obtained her bachelor's degree in Mathematics and Computer Science from King's College London of the University of London in the United Kingdom in July 1998. Sylvia completed the Association of Chartered Certified Accountants examination in February 2009, an ISO 9001:2008 quality management system internal control auditor course in September 2012, and an ISO 27001:2013 information security management system in January 2021. Sylvia has been a member of the Institute of Singapore Chartered Accountants since July 2013.

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## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

#### Li Shan

**Senior Principal Software Architect**  
**Anacle Systems Limited**

Li Shan has more than 13 years of experience in software design and development. From May 2005 to June 2006, Li Shan had worked as a software engineer at Buildfolio where he was responsible for software development. Li Shan had then worked as a software engineer at United Premas Limited, a company engaged in offering real estate management and development services, from June 2006 to January 2008, during which he was responsible for software development.

Li Shan graduated from Nanyang Technological University in Singapore with a bachelor's degree in Computer Engineering. He also obtained a master's degree in Engineering in the same university.

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#### Jindhar Chougule

**Vice President of Product Management**  
**Anacle systems Limited**

Jindhar has more than 23 years of experience in energy management and electric metering products industry. Jindhar had worked as a technical assistant at Datapro Electronics Pvt Ltd. from July 1995 to August 2000. From September 2000 to May 2001, Jindhar worked as a senior engineer at Enercon Systems Pvt Ltd. He then worked as a manager of design and development at EMCO Limited, a company which provided products and solutions for power generation, transmission, distribution utilities and industry, from June 2001 to November 2003.

From December 2003 to March 2010, Jindhar worked as a technology specialist at B.B.S. Electronics Pte Ltd., and he was responsible for the design and development of smart meters, technical marketing and product certification. From March 2010 to June 2010, Jindhar worked as a senior manager at Future Electronics Inc. (Distribution) Pte. Ltd. during which he was responsible for smart meter reference designs and technical marketing. He then worked at B.B.S. Access Pte. Ltd., a company specialising in the development of infrastructure, systems and accessories for telecommunication and utility measurement, as a solution architect from June 2010 to February 2014.

Jindhar obtained a Diploma in Electronics and Communication Engineering from the Board of Technical Examinations of the Government of Maharashtra, India.

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## CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Group for the financial year ended 31 May 2021 (the “FY2021”).

### CORPORATE GOVERNANCE PRACTICES

The Group’s corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”).

The Company is committed to fulfilling its responsibilities to its shareholders (the “Shareholders”) and protecting and enhancing Shareholders’ value through solid corporate governance. The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control and risk management procedures of the Group so as to achieve effective accountability.

During the year ended 31 May 2021, the Group has complied with all applicable code provisions of the CG Code.

### CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made specific enquiry, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding Director’s securities transactions during FY2021.

### BOARD OF DIRECTORS

#### Responsibilities

The board of Directors (the “Board”) is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group’s values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives.

The functions performed by the Board include but are not limited to formulating the Group’s business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group’s corporate governance practices and all other functions reserved to the Board under the Company’s constitution (the “Constitution”). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company’s expense.

## CORPORATE GOVERNANCE REPORT

### Composition of the Board

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this report, the Board comprises the following eight Directors, of which the non-executive Directors and the independent non-executive Directors represent over 60% of the Board members:

#### Executive Directors

Mr. Lau E Choon Alex (*Chief Executive Officer*)

Mr. Ong Swee Heng (*Chief Operating Officer*)

#### Non-Executive Directors

Mr. Lee Suan Hiang (*Chairman*)

Prof. Wong Poh Kam

Mr. Robert Chew (*Retired on 30 September 2020*)

Dr. Chong Yoke Sin (*Appointed on 15 October 2020*)

#### Independent Non-Executive Directors

Mr. Alwi Bin Abdul Hafiz

Mr. Elango Subramanian

Mr. Li Man Wai

The biographical details of each of the Directors are set out in the section headed “Board of Directors” of this annual report.

Dr. Chong Yoke Sin was appointed on 15 October 2020 to fill the vacancy occasioned by the retirement of Mr. Robert Chew on 30 September 2020.

No Board member has any relationship (including financial, business, family, or other material relationships) with the other Board members and the chief executive officer of the Company (the “Chief Executive Officer”)

During the year ended 31 May 2021, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, accounting for at least one third of the Board, with at least one independent non-executive Director possessing the appropriate professional qualifications, accounting or related financial management expertise.

### Directors' Training and Continuing Professional Development

During the year ended 31 May 2021, all Directors have participated in the training regarding director responsibilities and duties arranged by the Company's legal advisers in relation to the GEM Listing Rules, statutes and common law, legal and other regulatory requirements and the Company's business and governance policies. Such programmes were related to corporate governance, listed companies and directors' continuing obligations. Continuing briefings and professional development to Directors will be arranged whenever necessary.

## CORPORATE GOVERNANCE REPORT

### Directors' Attendance at Board Meeting

The Board held meetings on 7 October 2020, 8 January 2021, 7 April 2021 and 20 August 2021 to, amongst other matters, discussed and approved (i) the Group's unaudited consolidated financial results for the three months ended 31 August 2020, the six months ended 30 November 2020 and the nine months ended 28 February 2021; (ii) the engagement of independent auditor for FY2021; (iii) the audited consolidated financial statements of the Group for FY2021; (iv) the assessment of the effectiveness of the risk management and internal control systems of the Group; (v) the appointment of Dr. Chong Yoke Sin to the Board to fill the vacancy occasioned by the retirement of Mr. Robert Chew; (vi) the proposed appointment of Mr. Mok Wai Seng and Mr. Chua Leong Chuan Jeffrey to fill the vacancies occasioned by the retirement of Mr. Elango Subramanian and Mr. Li Man Wai on 29 September 2021; and (vii) the evaluation and drafting of the Environmental, Social and Governance Report for FY2021

The attendance of each Director at the Board meetings during FY2021 and up to the date of this annual report is as follows:

Directors	Number of board meetings attended/held
<b>Executive Directors</b>	
Mr. Lau E Choon Alex	4/4
Mr. Ong Swee Heng	4/4
<b>Non-Executive Directors</b>	
Mr. Lee Suan Hiang (Chairman)	4/4
Prof. Wong Poh Kam	4/4
Dr. Chong Yoke Sin (Appointed on 15 October 2020)	3/4
<b>Independent Non-Executive Directors</b>	
Mr. Alwi Bin Abdul Hafiz	4/4
Mr. Elango Subramanian	4/4
Mr. Li Man Wai	4/4

During FY2021, the Company held an annual general meeting of the shareholders on 30 September 2020.

### Independent Non-Executive Directors

The independent non-executive Directors are persons with relevant academic and professional qualifications. They advise the Company on strategic development, which enables the Board to maintain high standards of compliance with financial and other regulatory requirements. In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board and with at least one of whom having appropriate professional qualifications, or accounting or related financial management expertise.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the independent non-executive Directors to be independent and meet the requirements set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.



## CORPORATE GOVERNANCE REPORT

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the code provision A.2.1 of the CG Code, the roles of the Chairman and Chief Executive Officer shall be separate and should not be performed by the same individual. During FY2021, the Chairman of the Company was Mr. Lee Suan Hiang and the Chief Executive Officer of the Company was Mr. Lau E Choon Alex. The code provision A. 2.1 of the Code has therefore been complied with.

### NON-EXECUTIVE DIRECTORS

The non-executive Directors, Mr. Lee Suan Hiang, Prof. Wong Poh Kam, and Dr. Chong Yoke Sin have signed a letter of appointment with the Company for an initial term of three years subject to termination in certain circumstances as stipulated in the letter of appointment.

### APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 24 November 2016 (subject to termination in certain circumstances as stipulated in the relevant service agreement).

Each of the non-executive Director and the independent non-executive Director has entered into a letter of appointment with the Company for an initial term of three years commencing, subject to termination in certain circumstances as stipulated in the relevant letter of appointment.

Save as disclosed aforesaid, none of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries other than the agreements/letters of appointment expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation.

All the Directors, including independent non-executive Directors, are subject to retirement by rotation and eligible for re-election in accordance with the Constitution. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the AGM at which he retires. The Directors to retire by rotation shall include (so far as necessary to obtain the number of Directors required to retire by rotation) any Director who wishes to retire and not to offer himself for re-election but shall not include any Director who is due to retire at the AGM by reason of age. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment or have been in office for the three years since their last election. As between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next AGM after his appointment and shall then be eligible for re-election at such meeting but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

## CORPORATE GOVERNANCE REPORT

Mr. Lau E Choon Alex, Mr. Elango Subramanian, and Mr. Li Man Wai will retire by rotation as well as Dr. Chong Yoke Sin will retire (the “Retiring Directors”) at the forthcoming 2021 annual general meeting of the Company which is to be held on 29 September 2021 (the “2021 AGM”). Mr. Lau E Choon Alex and Dr. Chong Yoke Sin being eligible, will offer themselves for re-election at the 2021 AGM. The Company was informed by each of Mr. Elango Subramanian and Mr. Li Man Wai that, though being eligible, they will not seek for re-election as independent non-executive directors in order to devote more time on each of his other business commitments. They will therefore retire as an independent non-executive directors immediately after the conclusion of the 2021 AGM. The Company’s circular, sent together with this annual report, contains detailed information of such retiring directors as required by the GEM Listing Rules.

### DIRECTORS’ LIABILITY INSURANCE

The Company has arranged appropriate insurance to cover the liabilities in respect of legal action against the Directors and officers of the Company that may arise out of the corporate activities. The insurance coverage is reviewed on an annual basis.

### BOARD COMMITTEES

The Board established three committees, namely the audit, remuneration and nomination committees, to oversee particular aspects of the Group’s affairs.

Each of the three committees has its specific terms of reference relating to its authority and duties.

The majority of members of the audit, remuneration and nomination committees are independent non-executive Directors.

The Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, they are able to seek independent professional advice in appropriate circumstances at the Company’s expense. The Board committees will report back to the Board on their decisions or recommendations.

### Remuneration Committee

The remuneration committee (the “Remuneration Committee”) was established on 24 November 2016 with written terms of reference in compliance with B.1.2 of the CG Code.

The Remuneration Committee’s terms of reference include, but not limited to:

- making recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management’s remuneration and establishing a formal and transparent procedure for developing remuneration policy;
- reviewing and approving the management’s remuneration proposals with reference to the Board’s goals and objectives;
- making recommendations to the Board on the remuneration packages of for all Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- ensuring that no Director or any of his/her associates (as such term is defined in the Rules Governing the Listing of Securities on the GEM of the HKEx (the “Listing Rules”) is involved in deciding his/her own remuneration.

## CORPORATE GOVERNANCE REPORT

The Remuneration Committee consists of Mr. Alwi Bin Abdul Hafiz, Mr. Li Man Wai, and Prof. Wong Poh Kam. Mr. Alwi Bin Abdul Hafiz is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year. The Remuneration Committee held meetings on 21 August 2020 and 22 February 2021 and reviewed and recommended to the Board for consideration, certain remuneration-related matters of the Directors and the senior management of the Company. The attendance of each committee member during FY2021 is as follows:

Remuneration Committee members	Number of meetings attended/held
Mr. Alwi Bin Abdul Hafiz ( <i>Chairman</i> )	2/2
Mr. Li Man Wai	2/2
Prof. Wong Poh Kam	2/2

### Audit Committee

The audit committee (the "Audit Committee") was established on 24 November 2016 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and the code provision C.3.3 of the CG Code.

The primary responsibilities of the Audit Committee are to assist the Board in providing an oversight of the effectiveness of the Group's financial reporting process, internal control and risk management system, to review the financial information of the Group and to liaise with the auditors to discuss audit matters.

The Audit Committee consists of two independent non-executive Directors, Mr. Li Man Wai and Mr. Elango Subramanian, and one non-executive Director, Dr. Chong Yoke Sin. The chairman of the Audit Committee is Mr. Li Man Wai, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules. None of the members of the Audit Committee are former partners of the Company's existing external auditors.

The Audit Committee shall meet at least twice a year. The Audit Committee held meetings 21 August 2020, 7 October 2020, 8 January 2021 and 7 April 2021 and amongst other matters, considered and approved for presentation to the Board for consideration and approval, the audited consolidated financial results for the financial year ended 31 May 2020 and the draft unaudited consolidated financial results for the three months ended 31 August 2020, the six months ended 30 November 2020 and the nine months ended 28 February 2021.

The attendance of each committee member during FY2021 is as follows:

Audit Committee members	Number of meetings attended/held
Mr. Li Man Wai ( <i>Chairman</i> )	4/4
Mr. Elango Subramanian	4/4
Dr. Chong Yoke Sin ( <i>Appointed on 15 October 2020</i> )	2/4

## CORPORATE GOVERNANCE REPORT

### Nomination Committee

The nomination committee (the "Nomination Committee") was established on 24 November 2016 with written terms of reference in compliance with A.5.2 of the CG Code.

The Nomination Committee's terms of reference include, but not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the group managing director;
- identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship; and
- assessing the independence of independent non- executive Directors.

The Nomination Committee consists of Mr. Lee Suan Hiang, Mr. Elango Subramanian and Mr. Alwi Bin Abdul Hafiz. Mr. Lee Suan Hiang is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year. The Nomination Committee held a meeting on 21 August 2020 and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors and recommended to the Board for consideration the re-appointment of the retiring Directors at the 2020 AGM, the appointment of Dr. Chong Yoke Sin to the Board on 15 October 2020. The attendance of each committee member during FY2021 is as follows:

Nomination Committee members	Number of meetings attended/held
Mr. Lee Suan Hiang (Chairman)	1/1
Mr. Elango Subramanian	1/1
Mr. Alwi Bin Abdul Hafiz	1/1

## CORPORATE GOVERNANCE REPORT

### Corporate Governance Functions

The Board recognises that corporate governance should be the collective responsibility of the Directors which include but are not limited to:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this report.

### BOARD DIVERSITY POLICY

The Company adopted a board diversity policy and discussed all measurable objectives set for implementing the same .

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, race, language, cultural and educational background, industry experience and professional experience.

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the effectiveness of the Group's risk management and internal control systems.

The risk management process includes risk identification, risk evaluation, risk management and risk control and review. The management is entrusted with duties to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority.

The Group has conducted a review of the implemented system and procedures, including areas covering financial, operational, legal compliance controls and risk management functions. The systems are implemented to minimize the risk to which the Group is exposed and is used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Group has engaged an independent professional party, Kong Lim & Partners LLP (the "IA"), to perform the internal audit functions and evaluate the risk management and internal control systems of the Group. The IA reports directly to the Audit Committee and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the Audit Committee periodically. The IA completed a review for FY2021 in accordance with the internal audit plan developed and approved by the Audit Committee.



## CORPORATE GOVERNANCE REPORT

The Board has adopted the recommendations of the internal auditors set out in the internal audit report.

Based on the risk management framework and internal controls established and maintained by the Group, work performed by the internal, external auditors and reviews performed by management, the Board considered the Group's internal control system as adequate and effective and that the Company has complied with the code provisions on internal control of the CG Code during FY2021.

### DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the GEM Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Joint Company Secretaries and the financial controller of the Company are authorised to communicate with parties outside the Group.

### DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the consolidated financial statements of the Company for FY2021.

The Board is responsible to present a balanced, clear and understandable assessment in the Company's annual and interim reports, price-sensitive announcement and other financial disclosures required under the GEM Listing Rules and other requirements under relevant applicable regulations. Senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information.

As at 31 May 2021, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Company for FY2021 on a going concern basis.

The responsibilities of BDO Limited, the independent auditor of the Company, regarding their financial reporting on the Company's consolidated financial statements for FY2021 are set out in the independent auditor's report contained in this annual report.

## CORPORATE GOVERNANCE REPORT

### REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for FY2021 are set out in note 11 to the audited consolidated financial statements of this annual report.

The remuneration of the members of the senior management (other than the Directors) for FY2021 by band is as follows:

Remuneration band in HK\$	Number of individuals
HK\$ Nil - HK\$ 1,000,000	1
HK\$ 1,000,001 - HK\$ 1,500,000	2
HK\$ 2,000,001 - HK\$ 2,500,000	1

### INDEPENDENT AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's independent auditors, BDO Limited and BDO LLP, in respect of their audit services and non-auditing services for FY2021 was S\$138,848.

### JOINT COMPANY SECRETARIES

The Company has appointed Ms. Sylvia Sundari Poerwaka ("Ms. Poerwaka") as one of the Joint Company Secretaries since 24 November 2016, who has sound understanding of the operations of the Board and the Group.

Ms. Poerwaka, the financial controller of the Group, joined the Group in March 2012 and is responsible for overseeing the finance department with the major duty in the area of financial management in the Company. She has been a member of the Institute of Singapore Chartered Accountants since July 2013.

Ms. Poerwaka does not possess the specified qualifications for a company secretary as required by Rule 5.14 of the GEM Listing Rules. During FY2021, she has received no less than 15 hours of professional training in compliance with Rule 5.15 of the GEM Listing Rules.

Given the important role of the company secretary in the corporate governance function of the Company, particularly in assisting the Company and the Directors in complying with the GEM Listing Rules and other relevant laws and regulations, the Company has also appointed Ms. Yue Sau Lan ("Ms. Yue"), who meets the requirement under Rule 5.14 of the GEM Listing Rules, as the other Joint Company Secretary, with effect from 8 January 2021, to work closely with and provide assistance to Ms. Poerwaka in discharge of the latter's duties and responsibilities as a Joint Company Secretary. Ms. Yue was nominated by Boardroom Corporate Services (HK) Limited ("Boardroom") to act as a Joint Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Ms. Yue has been contacting in respect of company secretarial matters is Ms. Poerwaka.

## CORPORATE GOVERNANCE REPORT

Ms. Yue is an associate member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England. Ms. Yue has over 25 years' extensive corporate secretarial and management experience in Hong Kong and the Republic of Singapore ("Singapore") gained from serving professional firms and listed companies listed in Hong Kong, Australia and previously listed in Singapore. Ms. Yue worked in Coopers & Lybrand, Hong Kong and Singapore, which merged with Price Waterhouse to form PricewaterhouseCoopers, for more than 9 years and served different conglomerates thereafter in Hong Kong like Chinese Estates Group, Wang On Group, South China Group and Kerry Group. Ms. Yue attended over 15 hours of relevant continuous professional development training during FY2021.

All Directors have access to the advice and services of the Joint Company Secretaries to ensure that Board procedures and all applicable law, rules and regulations are followed.

### SHAREHOLDERS' RIGHTS

#### Procedures for Putting Forward Proposals at Shareholders' Meetings

There are no provisions allowing Shareholders to make proposals or move resolutions at the AGMs under the Constitution or the laws of the Republic of Singapore. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "EGM") in accordance with the "Procedures for Shareholders to Convene an EGM" set out below.

#### Procedures for Shareholders to Convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the total number of paid-up Shares carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to require an EGM to be called by the Board or the Joint Company Secretaries for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned at the registered office and principal place of business of the Company in Singapore at 3 Fusionopolis Way, #14-21 Symbiosis, Singapore 138633, for the attention of the Joint Company Secretaries.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Joint Company Secretaries will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM within 2 months after the deposit of the Requisition.

On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, the Board will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM.

## CORPORATE GOVERNANCE REPORT

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) or any of them representing more than 50% of the total voting rights of all of them, may in the same manner as nearly as possible as that in which EGMs are to be convened by the Directors convene an EGM, but any EGM so convened shall not be held after the expiration of 3 months from that date of deposit of the Requisition. All reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

### Procedures for Shareholders to Send Enquires to the Board

Shareholders may direct their enquiries about their shareholdings or their notification of change of correspondence address or their dividend/distribution instructions to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

Shareholders may send their enquiries and concerns to the Board by addressing them to the registered office and principal place of business of the Company in Singapore at 3 Fusionopolis Way, #14-21 Symbiosis, Singapore 138633, by post or by email to [info@anacle.com](mailto:info@anacle.com), for the attention of the Joint Company Secretaries.

Upon receipt of the enquiries, the Joint Company Secretaries will forward the communications relating to:

- the matters within the Board's purview to the executive Directors;
- the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
- ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

### SHAREHOLDER COMMUNICATION POLICY

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

### CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during FY2021.

The Constitution is available on the respective websites of the Stock Exchange and the Company.

## CORPORATE GOVERNANCE REPORT

### INVESTOR RELATIONS

The Company believes that maintaining effective communication with the investment industry is crucial to having a deeper understanding of the Company's business and its development among investors. To achieve this goal and increase transparency, the Company will continue to adopt proactive measures to foster better investor relations and communications.

As such, the purpose for the Company to formulate investor relations policies is to let investors have access to the information of the Group in a fair and timely manner, so that they can make an informed decision.

We welcome investors to visit the Company's website at [www.anacle.com](http://www.anacle.com) to obtain up-to-date information regarding the Company.







## DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the financial year ended 31 May 2021 ("FY2021").

### PRINCIPAL ACTIVITIES

The principal activities of the Company are software development, provision of enterprise application software solutions and energy management solutions, and provision of support and maintenance services. Details of the principal activities of the Company and the principal activities of the subsidiaries and the associates are set out in notes 1, 18 and 17 to the consolidated financial statements in this annual report. There were no significant changes to the Group's principal activities during FY2021.

### BUSINESS REVIEW

A review of the Group's performance, business activities and development is set out in the "Chairman's Statement" section on pages 6 to 7, and the "Management Discussion and Analysis" section on pages 10 to 25 of this annual report.

### RESULTS AND DIVIDENDS

The Group's financial performance for FY2021 is set out in the consolidated statement of comprehensive income on page 76 of this annual report and the consolidated statement of financial position of the Group as at 31 May 2021 on pages 77 to 78 of this annual report.

The Directors have resolved not to declare the payment of a final dividend for FY2021 (2020: Nil).

### CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Wednesday, 29 September 2021 (the "2021 AGM"). For determining the entitlement of the shareholders to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 24 September 2021 to Wednesday, 29 September 2021, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to qualify for attending and voting at the 2021 AGM, non-registered shareholders of the Company must lodge all duly completed and signed share transfer documents accompanied by the relevant share certificates with the branch share registrar and transfer office of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 23 September 2021.

### CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 May 2021, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

### KEY RISKS AND UNCERTAINTIES

Details of risk factors faced by the Company and the risk mitigation strategies are set out in the "Management Discussion and Analysis" section on pages 23 to 24 of this annual report.

### PLANT AND EQUIPMENT

Details of movements in the Group's plant and equipment during FY2021 are set out in note 15 to the consolidated financial statements in this annual report.

## DIRECTORS' REPORT

### BANK BORROWINGS

As at 31 May 2021, the Group did not have any bank borrowings (As at 31 May 2020: S\$Nil)

### SHARE CAPITAL

Details of the Company's share capital as at 31 May 2021 are set out in note 31 to the consolidated financial statements in this annual report.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's constitution. However, the Company will comply with the Singapore Companies Act and Rules 17.39 to 17.42B of the GEM Listing Rules in relation to pre-emptive rights and the general manda granted to the Directors to issue Shares pursuant to the written resolutions of the shareholders dated 24 November 2016.

### PURCHASE, SALE, OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 May 2021, to enhance the value of the Company's shares for all shareholders, the Company repurchased 1,278,000 of its own shares from the open market by way of "on market repurchase" at an aggregate consideration of S\$111,421. These repurchased shares were cancelled on 4 February 2021. The shares repurchase was as permitted under the Hong Kong Code on Share Buy-backs (the "Share Buy-backs Code") under the authority of the repurchase mandate granted by the shareholders at the annual general meeting of the Company held on 30 September 2020.

Other than the aforesaid share repurchase, the Company did not redeem any of its listed securities, nor did the company or any of its subsidiaries sell such securities.

### RESERVES

Details of movements in reserves of the Group is set out in "Consolidated Statement of Changes in Equity" on page 79. Details of movements in reserves of the Company is set out in note 33 to the consolidated financial statements in this annual report.

### DISTRIBUTABLE RESERVES

As at 31 May 2021, the Company had no distributable reserves.

### MAJOR CUSTOMERS AND SUPPLIERS

During FY2021, sales to the Group's five largest customers accounted for approximately 68.3% (2020: 54.3%) of total sales and sales to the largest customer amounted to approximately 41.2% (2020: 13.7%) of total sales.

The Group's five largest suppliers accounted for approximately 44.2% (2020: 35.8%) of total purchases during FY2021 and purchases from the largest supplier amounted to approximately 22.3% (2020: 10.0%) of total purchases.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during FY2021.

## DIRECTORS' REPORT

### DIRECTORS

The Directors who held office during FY2021 and up to the date of this annual report were as follows:

#### Executive Directors

Mr. Lau E Choon Alex

Mr. Ong Swee Heng

#### Non-Executive Directors

Mr. Lee Suan Hiang (Chairman)

Prof. Wong Poh Kam

Mr. Robert Chew (Retired on 30 September 2020)

Dr. Chong Yoke Sin (Appointed on 15 October 2020)

#### Independent Non-Executive Directors

Mr. Alwi Bin Abdul Hafiz

Mr. Elango Subramanian

Mr. Li Man Wai

At least one-third of the Directors shall retire from office by rotation and re-election at each annual general meeting of the Company in accordance with the Company's constitution, providing that every Director shall be retire at least once every three years.

In accordance with regulations 98 and 99 of the Company's constitution, Mr. Lau E Choon Alex Mr. Elango Subramanian and Mr. Li Man Wai will retire by rotation as well as Dr. Chong will retire at the 2021 AGM. Mr. Lau and Dr. Chong being eligible, will offer themselves for re-election at the 2021 AGM. Each of Mr. Elango Subramanian and Mr. Li Man Wai, although being eligible, they will not seek for re-election as an INED. They will therefore retire as an INED immediately after the conclusion of the 2021 AGM. Mr. Mok Wai Seng and Mr. Chua Leong Chuan Jeffrey will be appointed to fill in the vacancy occasioned by the retirement of Mr. Elango Subramanian and Mr. Li Man Wai.

### DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and the senior management of the Group are set out on pages 26 to 31 of this annual report.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the date of his appointment/redesignation as an executive Director which may only be terminated in accordance with the provisions of the service contract or by (i) the Company giving to any executive Director not less than one month's prior notice in writing or (ii) any executive Director giving to the Company not less than one month's prior notice in writing.

Each of the non-executive Directors has entered into an appointment letter with the Company for an initial period of three years commencing from the date of his/her appointment as a non-executive Director which may only be terminated in accordance with the provisions of the service contract or by (i) the Company giving to any non-executive Director not less than one month's prior notice in writing or (ii) any non-executive Director giving to the Company not less than one month's prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial period of three years commencing from the date of his appointment as an independent non-executive Director which may only be terminated in accordance with the provisions of the service contract or by (i) the Company giving to any independent non-executive Director not less than one month's prior notice in writing or (ii) any independent non-executive Director giving to the Company not less than one month's prior notice in writing.

## DIRECTORS' REPORT

None of the Directors has entered into any service agreements with the Company which is not determinable by the Group within one year without payment of compensation other than the statutory compensation.

### CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a written annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

### COMPETING INTERESTS

During FY2021, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/ or caused any conflicts of interest with the Group.

### DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

None of the Directors, the controlling shareholders, nor their respective associates had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during FY2021.

### EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing and determining the Group's emolument policy and structure for all remuneration of the Directors and senior management based on the Group's operating results, individual performance and comparable market practices.

Details of the remuneration of the Directors and five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in notes 11 and 12 to the consolidated financial statements in this annual report.

### MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during FY2021.

### PERMITTED INDEMNITY PROVISION

Appropriate Directors' liability insurance cover has been arranged by the Company to indemnify the Directors for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are reviewed annually.

### DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

On 28 November 2016, Mr. Lau E Choon Alex, Mr. Ong Swee Heng, Ms. Lim Siang Ngin, Mr. Ho Hai Aik, Ms. Ng Ying Ling, Mr. Chew Chung Hon, Mr. James Tay Chin Kwang, Mr. Arnold Tan Kim Hong, Mr. Ng Sah Keong, Mr. Seow Ho Yien, and BAF Spectrum Pte. Ltd. (the "Controlling Shareholders") entered into a deed of non-competition ("Deed of Non-Competition") in favour of the Company, pursuant to which each of the Controlling Shareholders has irrevocably undertaken to the Company (for itself and on behalf of each other member of the Group) that from the Listing Date, he/ she/ it would not, and would procure that his/ her/ its associates (except any members of the Group) would not directly or indirectly, either on his/ her/ its own account or in conjunction with or on behalf of any person, firm or company, carry on,

## DIRECTORS' REPORT

participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any activity or business which competes, or is likely to compete, either directly or indirectly, with our business or the business of any members of the Group from time to time. Please refer to the section "Relationship with our Controlling Shareholders – Deed of Non-Competition" in the Prospectus.

Each Controlling Shareholder has confirmed to the Company of his/ her/ its compliance during FY2021. The independent Board has reviewed and confirmed that all of the aforesaid undertakings have been complied with.

### SHARE OPTION SCHEMES

#### Pre-IPO Share Option Schemes

The Company adopted two Pre-IPO Share Option Schemes with the approval of the Board. The principal terms of the two Pre-IPO Share Option Schemes are substantially identical to each other.

The Pre-IPO Share Option Schemes are intended to promote the interests of the Company by providing eligible individuals who are responsible for the management, growth and financial success of the Company or who otherwise render valuable services to the Company with the opportunity to acquire a proprietary interest in the Company and thereby encourage them to remain in the service of the Company.

These Pre-IPO share options are exercisable at either approximately S\$0.01 per share or S\$0.07 per share (as the case maybe and taking into account the automatic adjustment due to the sub-division of shares of the Company that took place on 24 November 2016), each becoming exercisable in four equal tranches at the end of each year commencing from the grant date and shall expire (i) ten years from the day on which the Pre-IPO share options become exercisable; or (ii) three years from the day on which the Company become listed on a stock exchange.

On 26 May 2021, a total of 5,020,242 Pre-IPO share options were exercised by two members of senior management of the Group and two current employees of the Group, and new shares were issued on 4 June 2021. There were 4,075,390 Pre-Options share options outstanding and exercisable as at 31 May 2021.

#### Post-IPO Share Option Scheme

The Company has conditionally adopted the Post-IPO Share Option Scheme, which was approved by written resolutions passed by the Shareholders on 24 November 2016.

Since the adoption of the Post-IPO Share Option Scheme, no share option has been granted, exercised or cancelled by the Company under the Post-IPO Share Option Scheme and there were no outstanding share options under the Post-IPO Share Option Scheme as at 31 May 2021 and as at the date of this annual report.

Save as disclosed above, at no time during FY2021 was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debenture of the Company or any other body corporate.

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 May 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### Long Positions in the Shares and the Underlying Shares

Name of Directors / Chief Executive	Capacity / Nature of interest	Number of Shares / underlying Shares interested	Total interests	Approximate percentage of the Company's issued Shares <sup>(1)</sup>
Mr. Lau E Choon Alex ("Mr. Lau")	Beneficial interest	45,572,000	45,572,000	11.45%
Mr. Ong Swee Heng ("Mr. Ong")	Beneficial interest	22,750,000	22,750,000	5.72%

Notes:

1. The percentage of shareholding was calculated based on the Company's total number of issued Shares of 397,880,496 as at 31 May 2021, without taking into account the Shares to be issued upon exercise of the Pre-IPO share options.

Save as disclosed above, as at 31 May 2021, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.



## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 May 2021, so far as is known to the Directors, the following entities/persons (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO :

#### Long Positions in the Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares interested or held	Number of underlying Shares held	Approximate percentage of Company's issued shares <sup>(8)</sup>
Ng Yen Yen <sup>(1)</sup>	Interest of spouse	45,572,000	-	11.45%
Lim Lay Hong <sup>(2)</sup>	Interest of spouse	22,750,000	-	5.72%
BAF Spectrum Pte. Ltd. <sup>(3)</sup>	Beneficial interest	28,698,162	-	7.21%
iGlobe Platinum Fund Limited <sup>(4)</sup>	Beneficial interest	82,326,335	-	20.69%
Majuven Fund 1 Ltd. <sup>(5)</sup>	Beneficial interest	36,528,219	-	9.18%
OWW Investments III Limited <sup>(6)</sup>	Beneficial interest	20,873,307	-	5.25%
M1 TeliNet Pte. Ltd. <sup>(7)</sup>	Beneficial interest	20,259,000	-	5.09%
M1 Limited <sup>(7)</sup>	Interest of a controlled corporation	20,259,000	-	5.09%

#### Notes:

- Ms. Ng Yen Yen is the wife of Mr. Lau, the Chief Executive Officer and an executive Director, and is deemed to be interested in the shareholding interests of Mr. Lau in the Company pursuant to the disclosure requirements of the SFO.
- Ms. Lim Lay Hong is the wife of Mr. Ong, the Chief Operating Officer and an executive Director, and is deemed to be interested in the shareholding interests of Mr. Ong in the Company pursuant to the disclosure requirements of the SFO.
- BAF Spectrum Pte. Ltd. is beneficially owned by Prof. Wong Poh Kam, a non-executive Director (the "NED"), Shah Sanjeev Kumar, Chow Yen Lu Yale, Tan Hong Huat, Hellmut Schutte, William Klippgen, Chua Seng Kiat and five other second-tier investors.
- iGlobe Platinum Fund Limited is beneficially owned by Asia Core Properties Inc. Pte. Ltd., Lee Hau Hian, Frank H. Levinson Revocable Living Trust, Gotthard Haug, Harry Harmain Diah, iGlobe Sapphire Pte. Ltd., iGlobe Partners (II) Pte. Ltd., Kepventure Pte. Ltd., Khattar Holdings Private Limited, Liu Lynn Ya-Lin, Melody Investment Holdings Pte. Ltd., Priya-Roshni Private Ltd., Quek Soo Hoon, Tay Thiam Song and Wong Mee Chun. iGlobe Platinum Fund Limited is owned as to approximately 21.1% by iGlobe Sapphire Pte. Ltd., which is in turn beneficially owned by Jean Philippe Sarraut, Hu Xiao Bao, Lee Suan Hiang, Quek Soo Hoon, Quek Soo Boon, Annie Koh, Yong Woon Sui, Koh Hiang Chin Melanie, Philip Yeo Liat Kok, Prof. Wong Poh Kam, a NED, Ng Kah Joo and Kitade Koichiro.

## DIRECTORS' REPORT

5. Majuven Fund 1 Ltd. is beneficially owned by Singapore Warehouse Company (Private) Ltd., Poems Pte. Ltd., Koh Boon Hwee, Lui Pao Chuen, Chua Sock Koong, Phuay Yong Hen, Lee Hsien Yang, Lim Ho Kee, Lee Ching Yen Stephen, Chow Helen, Chan Wing To, Low Teck Seng, Yoh Chie Lu, Chaly Mah Chee Kheong, Loo Yen Lay Madeleine, Sri Widati Erbawan Putri and Majuven Fund 1 LP.
6. OWW Investments III Limited is beneficially owned by Wang Zaian, Li Mingding, Zhao Yang, Li Wenli, Pan Chengjie, He Li, Tao Feng, Ying Jiong, Su Jinhua, Zang Yi, Yu Hai, Pang Hongmei, Li Shengfa, Li Weiwei, Xian Youwei, Li Ting, Hong Liping, Chen Guilin, Gao Junsong, Zhang Aijun, Wu Jinxiang, Shen Jinlong, Xiao Bin, Yu Rong, Wang Ruihong, Wei Dong, Shi Yuanfeng, Tan Bien Chuan, Kai Wan Chung, Ye Yongqing, Xu Yongrui, Yang Qi, Liang Chengan, Qin Lei, Gu Weiping, Jia Bin, Chen Kunsheng, Huang Haidi, Sun Yuxing, Wan Shilong, Huang Renzhu, Anil Kanayalal Thawani, Xu Jiantang, Deng Bingxin, Mao Shizhang, Qian Jun, Yu Zhong, Liu Yang, Wu Wei, Zong Haixiao, Deng Kunlai, Sun Jian, Zhao Shangyang, Wu Xiaoxia and Li Xiaorong.
7. M1 Limited wholly owns M1 TeliNet Pte. Ltd. and is deemed to be interested in the Shares held by M1 TeliNet Pte. Ltd. pursuant to the disclosure requirements of the SFO.
8. The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 May 2021 (i.e. 397,880,496 Shares) without taking into account the Shares to be issued upon exercise of the Pre-IPO share options.

Save as disclosed above, as at 31 May 2021, so far as is known by or otherwise notified to the Directors, no other person or entity (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and underlying Shares as required to be recorded in the register to be kept by the Company pursuant to Section 336 of the SFO

## DIRECTORS' REPORT

### RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are valuable assets to the Company. The Group provides competitive remuneration package to attract and motivate the employees. The Group is committed to providing talented people with safe and comfortable working environment.

We regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. We also provides regular training for technical staff.

We understands that it is important to maintain good relationship with our business partners, suppliers and customers to achieve its long-term goals. Accordingly, the senior management have kept good communication, promptly exchanges ideas and shares business update with them when appropriate. During FY2021, there was no material and significant dispute between the Group and its business partners, suppliers and customers.

### PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

### RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during FY2021 are disclosed in note 38 to the consolidated financial statements. The related party transactions did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 20 of the GEM Listing Rules.

### CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the CG Code as contained in Appendix 15 to the GEM Listing Rules from the date of the last annual report to 31 May 2021. A report on the principal corporate governance practices adopted by the Company is set out on page 33 to page 45 of this annual report.

### ENVIRONMENTAL POLICY

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. We encourage environmental protection and promote awareness towards environmental protection to the employees.

We adhere to the principle of recycling and reducing. We implement green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

We will review our environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

## DIRECTORS' REPORT

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During FY2021, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

### EQUITY-LINKED AGREEMENTS

Other than the section headed "Share Option Schemes" as disclosed above, no equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during FY2021 or subsisted at the end of FY2021.

### TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

### CHARITABLE DONATIONS

The Group did not make any charitable donations during FY2021.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the "Financial Summary" section on page 9 of this annual report.

### AUDIT COMMITTEE

The Audit Committee comprises one non-executive Director, namely Dr. Chong Yoke Sin and two independent non-executive Directors, namely Mr. Li Man Wai and Mr. Elango Subramanian. Mr. Li Man Wai is the chairman of the Audit Committee.

The Group's audited consolidated financial statements for FY2021 and this annual report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

### EVENTS AFTER THE REPORTING PERIOD

There is no significant event of the Group after the reporting period and up to the date of this annual report.

## DIRECTORS' REPORT

### INDEPENDENT AUDITOR

The consolidated financial statements of the Group for FY2021 have been audited by BDO Limited whose term of office will expire upon the AGM. A resolution to re-appoint BDO Limited as independent auditor of the Company will be proposed at the AGM.

By order of the Board

**Lau E Choon Alex**

Executive Director and Chief Executive Officer

Singapore, 20 August 2021







## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

### INTRODUCTION, APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND REPORTING

The Board of Directors of the Group is pleased to present the Environmental, Social and Governance Report (the “ESG Report”) for the financial year ended 31 May 2021. The Report is prepared based on Appendix 20 of the GEM Listing Rules “Environmental, Social and Governance Reporting Guide”.

The principal activities of the Group are software development, provision of enterprise application software solutions and energy management solutions, and provision of support and maintenance services. The Group’s key business operations are in Singapore which makes up approximately 96.2% of the Group’s revenue. This ESG Report covers the Group’s performance in two subject areas, environmental and social issues, of the Group’s main operations in Singapore from 1 June 2020 to 31 May 2021 (the “Reporting Period”), unless otherwise stated.

The Group’s operations in Malaysia, India, and China each accounted for less than 1% of the Group’s total revenue and are deemed to have minimal environmental and social impact and therefore are not included in the scope of this ESG Report.

### POLICIES STATEMENT

The Group aims to foster sustainable development and undertake corporate responsibility. While the Group actively develops and seeks business opportunities, it also takes into consideration factors including environment, society and ethics to ensure the Group can achieve a balance between business development, social demand and environmental impacts. The Group’s ESG policy defines the Group’s long-term approach to specific issues in environmental and social issues which are instrumental in enabling our business to operate in a sustainable manner. The Group’s ESG policy guides the Group’s business and operational decisions. While the board has the overall responsibility for the Group’s ESG strategy and reporting, the implementation and performance monitoring are delegated to the management. The Group’s ESG Policy and ESG Strategy are reviewed periodically to ensure their relevance and appropriateness to the business.

The Group has identified social and environmental aspects that are either material or relevant to the Group based on their associated risks to the Group’s business and their impact on the Group’s stakeholders.

## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

The Group also values major concerns of our stakeholders (including but not limited to customers, investors, shareholders, suppliers, employees and other organisations), aiming to maximise profits for shareholders while protecting interests of our stakeholders. The Group will maintain close communications with stakeholders on topics regarding environment and society as well as solutions to identify potential issues on sustainable development and to satisfy expectations and demands from various stakeholders.

In addition to enhancing our values of sustainable development, policies and core competency, the Group endeavors to provide quality services and maintain close contacts with customers, which enables the Group to gain a better understanding of their needs and preferences enabling us to offer customised value-added services. In the course of preparing the Report, the Group conducted a thorough review and assessment towards our existing environmental and social policies the aim of achieving better performance in aspects of environment, social, corporate governance and operation in the future.

### A. ENVIRONMENTAL

The Group views good sustainability practices as important to its business growth over the long term. Whilst the Group is predominantly service-oriented and has a small environmental footprint, we are committed to environmental sustainability as a responsible business. Our major environmental impacts pertain to the consumption of resources such as energy, water, and paper, as well as business travel related carbon emissions.

Our environmental policy sets out our approach to reducing our direct environmental footprint. It is the our objective that the environmental practices set out in this Policy be embedded in our management practices. The Group aims to minimise the use of resources, including electricity, water and paper through conserving energy usage in lighting and air conditioning of our offices, minimising water consumption and by promoting the use of electronic media to achieve a paperless office or to use FSC certified low grammage paper for printing where possible. The Group aims to reduce environmental impact by reducing non-essential travel and maximise use of alternative means of internal and external communication such as video conferencing. The Group also promotes the reduction, reuse and recycle of materials and waste among employees such as using double-sided printing as default printer settings, recycle toners and the use of recycled paper. The Group also complies with all relevant environmental legislation in all countries in which we operate. The Group is not aware of any non-compliance or penalties in respect of environmental laws and regulations during the Reporting Period.

#### A1. Emissions

We are principally engaged in provision of enterprise application software solutions and energy management solutions, as well as provision of support and maintenance services. We do not have significant emission discharges into water, land and air such as nitrogen oxides, sulphur oxides and respiratory suspended particles. We do not produce a significant volume of hazardous waste from our business process. The major emissions of the Group are the greenhouse gases emissions and non-hazardous wastes generated from our operations.

## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

### A1.1 Air Emissions

Our headquarters in Singapore is directly connected to Mass Rapid Transit (“MRT”) station. We encourage our staff to use public transport for local business trips. We have a few employees who drives passenger cars powered by petrol to commute between office and customers’ offices in the ordinary course of business. During the Reporting Period, the business commuting activities generated 0.45 kg of nitrogen oxides (NO<sub>x</sub>), 0.01 kg of sulphur oxides (SO<sub>x</sub>) and 0.03 kg of respiratory suspended particles (PM).

### A1.2 Greenhouse Gas Emissions (GHG)

During the Reporting Period, the Group business operation contributed to an GHG emission of 26.35 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>eq), of which mainly are carbon dioxide and very small quantity of methane and nitrous oxide, with an intensity of 0.02 tCO<sub>2</sub>eq/m<sup>2</sup> of total area.

In respect of greenhouse gas emissions, the emissions directly attributable to businesses owned or controlled by the Group are relatively low. Indirect greenhouse gas emissions caused by the Group are primarily attributable to purchased electricity and business trips. The Group’s purchased electricity leads to indirect greenhouse gas emissions in the course of electricity generation by the power company. During the Reporting Period, the Group was actively expanding its sales activities to the Asia Pacific region and employees would have to travel by air to meet with potential customers resulting in indirect greenhouse gas emissions due to aircraft fuel consumption. Statistics in respect of consumption of purchased electricity and greenhouse gas emissions arising from air travel in the course of operation during the Reporting Period are set out below

Scope and Source of GHG Emissions	Carbon Emission in tonne carbon dioxide equivalent (tCO <sub>2</sub> eq)	Total carbon emission in %
<b>Scope 1 Direct Emission</b>		
Combustion of fuel for mobile sources – passenger car fueled by petrol	1.63	6.2%
<b>Scope 2 Indirect emission</b>		
Purchased electricity from Singapore’s Power Grid	22.91	86.9%
<b>Scope 3 Other Indirect Emission</b>		
Paper waste disposal	0.57	2.2%
Business air travel	1.24	4.7%
<b>Total</b>	<b>26.35</b>	<b>100.0%</b>

Note: Emission factors were made reference to Appendix 20 of the GEM Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.

## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

### A1.3 Hazardous Waste

The Group's business did not generate significant amount of hazardous waste, hence no information related to hazardous waste is being presented in this report. Waste electronic and electrical equipment, computer hardware and empty ink cartridges were collected by supplier for proper recycling or treatment before disposal.

### A1.4 Non-hazardous Waste

A total amount of 0.12 tonnes of non-hazardous waste was generated from the operations in the offices, which comprised office paper.

### A1.5 Measures to Mitigate Emissions

#### Transportation

In order to minimize emission associated with passenger car use, the we encourage employees to share car journeys via carpooling and to make ahead transport planning to avoid unnecessary trips. We also encourage employees to take public transport for local business trips.

#### Business Air Travel

The Group is committed to decreasing the number of business trips. When dealing with simple enquiries from overseas customers, we prefer to carry out general discussions and conduct our sales presentation through long-distance telephone calls, video conferencing and other online communication tools to reduce the number of non-essential air travels and to avoid increasing the pollutants emitted by the use of transportation.

### A1.6 Wastes Handling and Reduction Initiatives

The Group continues to practise paper saving initiatives as employees are encouraged to print paper on both sides and reuse paper for draft works. We encourage our employees to reduce harmless waste arising from daily work and avoid paper use by delivering digital file through e-mail. The Group adopts electronic communication software as its principal channel of contact during daily operation. All internal notice is issued through e-mail instead of printing. The Group keeps tracks of the paper usage and prevent unnecessary paper waste generation. Waste electronic and electrical equipment and used printer cartridges were returned to the supplier for proper recycling.

## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

### A2. Use of Resources

The Group's business operations do not require much resources and our office staff only consume a limited amount of electricity and water. Although we do not have written policies on effective utilisation of resources, we are committed to achieving better utilisation of resources during our operations by employing multiple measures to reduce consumption of resources in our office.

#### A2.1 Energy Consumption

The Group mainly consume purchased electricity for office operations and petrol consumption for passenger vehicles. As at 31 May 2021, a total of 60,105 kWh energy consumption was recorded, with an intensity of 53.91 kWh/m<sup>2</sup> or 577.93 kWh/number of staff. Statistics in respect of the energy consumption in the course of our operation during the Reporting Period is set out below:

Energy Consumption Sources	Consumption (in individual unit)	Consumption (in kWh)
Purchased electricity	54,645 kWh	54,645 kWh
Petrol	600 litre	5,460 kWh
Total		60,105kWh

#### A2.2 Water Consumption

We did not experience any issues when sourcing suitable water. The current water supply is sufficient to meet our daily operation needs. Our water usage during usual course of operation was mainly for the daily consumption of office. For conservation of water resource, the Group urges its office staff to save water and make sure water taps are properly turned off and to avoid unnecessary waste of drinking water. During the Reporting Period, 1m<sup>3</sup> of fresh water was consumed with an intensity of 0.001m<sup>3</sup>/m<sup>2</sup> or 0.01m<sup>3</sup>/number of staff.

#### A2.3 Energy Use Efficiency Initiatives

The Group promotes electricity preservation among employees to reduce electricity consumption and indirect greenhouse gas emissions. Electricity consumption mainly arises from daily operation of office for the on-going operation lighting system, and electronic equipment in the office. With a view to reducing electricity consumption, electronic equipment with lower electricity consumption is preferred during procurement; lighting equipment and electronic appliances are switched off during lunch hour and after work to reduce the electricity consumption

## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

### A2.4 Water Use Efficiency Initiatives

The Group's business did not involve significant use of water, hence no information related to water use efficiency initiatives is being presented in this report. There was no issue identified in sourcing water that is fit for purpose in the Reporting Period.

### A2.5 Packaging Materials

The Group's business activities do not involve any manufacturing and packaging, therefore, no relevant data is recorded during the Reporting Period.

## A3. The Environment and Natural Resources

### A3.1 Significant Impacts of Activities on the Environment

The Group's business nature does not generate significant environmental impacts. Nevertheless, the Group commits to continue making effort to minimise the use of resources and related impact to the natural environment, as well as complying with relevant laws and regulations.

## B. SOCIAL

### B1. Employment

Our employees are important assets to the Group, as well as the driving force behind the Group's continued business expansion. We therefore strive to create a harmonious employment relationship in order to encourage more people to join the Group.

As at 31 May 2021, the Group's main operations in its headquarters in Singapore had a total of 104 employees.

Recruitment typically takes place after university graduation period which facilitates the hiring of youth with diverse talents, potential and ability to absorb knowledge from training. We uphold the principle of fairness in recruitment, and our hiring criteria are built on the applicants' qualifications, abilities, experience, and skills. Every applicant has the same right to apply, and their treatment is not affected by gender, pregnancy, family status, marital status, race, disability, etc. The Group's existing employee teams come from different countries, including Malaysia, China, Vietnam, India, Myanmar, Indonesia, Cambodia and the Phillipines. The employment key performance indicator reported below focuses only on the Group's employees in its headquarters in Singapore.



## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

Total workforce by gender, employment type, age group and level as at 31 May 2021

	Number of people	%
Total workforce by gender		
Woman	44	42%
Man	60	58%
Total workforce by age group		
< 25 years old	7	7%
25 – 29 years old	45	43%
30 – 39 years old	32	31%
40 – 49 years old	17	16%
> 50 years old	3	3%
Total workforce by level		
Management	9	9%
Mid-level staff	37	36%
Junior staff	58	56%
Total workforce by employment type		
Full time	104	100%
Part time	-	-

The Group is constantly improving its employment mechanism. It adheres to the principle of fairness, and provides promotion opportunities for outstanding employees. We assess employees' performance and their contribution to the Group when reviewing their compensation and benefits, in order to reflect employees' contributions to the Group and enhance the employees' sense of belonging and sense of responsibility for the Group.

The Group also organises recreational activities from time to time, such as company lunches, monthly beer-buzz, weekly yoga sessions, team building events so as to facilitate communication among employees and to help colleagues balance the intense pressures of work.

If an employee were unfortunately to suffer a work-related injury or accidental death, the Group will provide compensation for the employee in accordance with the Ministry of Manpower (Singapore) through workmen compensation insurance policy and public liability insurance policy.

The Group's labour standards primarily focus on conformity with local labour laws and regulations. In our hiring process, we screen candidates in strict accordance with the minimum age limits of their respective work locations and we are committed to hiring as our employees only those over the minimum legal age in order to protect children's rights to safety and healthy development. Our internal standard on working hours is set at 8 hours per day or 44 hours per week.

## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

All overtime work by employees are voluntary in nature. When employees need to work overtime, we provide reasonable overtime pay as a compensation for employees, in accordance with the Ministry of Manpower (Singapore) guidelines and the Group's compensation policy.

Equal opportunity is provided to all employees in respect of promotion, appraisal, training, development and other aspects. Employees are not discriminated against or deprived of opportunities based on gender, ethnic background, religion, color, sexual orientation, age, marital status, family status.

A total number of 32 employees left during the reporting period with a turnover rate of 24%. The Group offers competitive salary package to retain quality employees and aim to reduce the employee turnover.

Employee turnover rate by gender, employment type, age group and level

	Number of people	%
Total workforce by gender		
Woman	8	25%
Man	24	75%
Total workforce by age group		
< 25 years old	2	6%
25 – 29 years old	16	50%
30 – 39 years old	9	28%
40 – 49 years old	3	9%
> 50 years old	2	6%
Total workforce by level		
Management	3	9%
Mid-level staff	7	22%
Junior staff	22	69%
Total workforce by employment type		
Full time	32	100%
Part time	-	-

## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

### B2. Health and Safety

The business operations of the Group do not involve high- risk activities, however, the Group places great importance to occupational safety, hygiene and health of the employees.

The Company is ISO 45001:2018 Occupational Health & Safety Management System (“OHMS”) certified. It has developed clear occupational health and safety policies, as well as a series of target indicators and procedural documents designed to continuously identify potential risks at the plants, to try to reduce the incidence of accidents, to observe local occupational health and safety regulations, and to ensure continuous improvement in our occupational safety and health performance. The Group also provides regular briefings for all employees, on occupational safety and health policies, risk management, and workplace safety. In order to strengthen the employees’ response when faced with an emergency situation such as a fire or injury, we have drawn up contingency plans and regularly gather the employees to carry out drills.

No material noncompliance with relevant laws and regulations which may have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards had been identified during the reporting period.

During the Reporting Period, we have had zero work-related injury.

### B3. Development and Training

The establishment of a robust and competitive team of employees is an important cornerstone of the Group’s continued development, and we have spared no effort to train our talents and add value for our employees. The Group arranges for welcoming and orientation activities for all new employees, allowing every new colleague to understand the Group’s policies and culture and to integrate into the Group as soon as possible, and thereby nurturing a sense of belonging in the Group within the new colleagues. The Group’s department heads also evaluate their subordinates’ capabilities at work to understand and identify the training needs of every employee, as well as to develop training programs for the coming year. In addition to internal training, the Group also provides training allowances to encourage staff to actively participate in external training in professional skills, in an effort to enable every employee to reach their full potential within their positions and to create value for the Group.

Employee training and development by gender and employment level

	Number of employees receiving training	% of employees trained	Average training hours completed per employee
By gender			
Woman	44	42%	11.82 hours
Man	60	58%	13.47 hours
By level			
Management	9	9%	7.56 hours
Mid-level staff	37	36%	10.97 hours
Junior staff	58	56%	14.72 hours

## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

### B4. Labour Standards

The Group did not employ any child or forced labour during the Reporting Period. The HR Department has established practices to ensure prevention of child and forced labour. Job candidates' identification documents are checked to ensure that they are legally entitled to work for the Group or otherwise employment contract is not entered into. At the point of employment, new employees are required to complete the registration form and provide supporting documents as proof of previous employment.

In case of violation, the personnel will be subject to fines and/or termination of the contract in accordance to relevant regulations. Legal proceedings will also be applied if necessary. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour had been identified during the Reporting Period.

### OPERATING PRACTICES

### B5. Supply Chain Management

The Group currently has developed a specific program for the evaluation and management of suppliers, and the selection criteria for suppliers or subcontractors are mainly based on such factors as price, delivery times, and quality of goods. We receive feedbacks from customers by sending them customer satisfaction form through email or fax of our services. Additionally, we rate our suppliers by using supplier evaluation form recorded in ISO 9001:2015 Quality Management System. The rating marks with 70% and above, we considered them as in the list of our approved supplier. Suppliers are only deemed qualified after the management's review and approval.

We had a total of 143 active suppliers during the reporting period.

Every year, we monitor and review the performance of every qualified supplier to ensure that the performance of all qualified suppliers remains in line with the requirements of the Group.

### B6. Product Responsibility

All of the Group's products are inspected and tested prior to delivery to ensure that their operation and functions fully comply with the relevant product specifications and safety requirements. In terms of controlling raw materials, all materials used in our products are provided by qualified suppliers. The Group assigns dedicated employees to manage the supply chain and manufacturing process including conducting quality testing to ensure that our final products meet customers' requirements and comply with relevant laws, regulations and internal standard.

The Group provides product warranties ranging from 6 months to 1 year depending on the agreements we have with our customers. We provide appropriate assistance to customers throughout the warranty period.

## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

### B7. Anti Corruption

In order to ensure high efficiency and integrity of the Group's operations, all the Group's employees are required to strictly abide by the Prevention of Bribery Ordinance (Cap 201 of the Laws of Hong Kong) in their behaviour and are absolutely forbidden from committing any acts of bribery or accepting of bribes, etc. We have also developed a policy on reporting conflicts of interest, and employees must report to the management if there is any direct or indirect conflict of interest between an employee and the business of the Group.

As far as corporate governance is concerned, the Group's management regularly reviews regulations on the governance of publicly traded companies to ensure that all newly enacted requirements are implemented within the Group in a timely manner. Each year, the Group also hires third-party independent auditors to verify the Group's accounts so as to safeguard the interests of investors.

The Group's service and purchasing agreements must, in principle, receive the approval from the management before they are deemed valid, and the management conducts spot checks on the agreements each year to ensure that the approval process is fair and equitable. Any employee, material supplier, subcontractor, customer or other stakeholder who has any concerns regarding the corporate governance of the Group or the ethics of the employees may file a complaint with the management.

The management will then conduct a thorough investigation of all matters and take the necessary improvement measures for plugging the loopholes in order to maintain the Group's integrity and reputation.

No case of violation of anti-corruption laws and regulations by the Group occurred during the Reporting Period.

### B8. Community Investment

The Group is happy to provide support to needy and underprivileged people within society, and is constantly looking for opportunities to work with community groups to contribute to the balanced development of society. We are committed to continue working closely with community groups in the coming year to explore the feasibility of cooperation, actively participate in different community care activities, and put in our best efforts to give back to society.

If any community group has any community support project or charity activity that requires assistance or has any comments on our community investment activities, they are welcome to submit them to us through our website.

The Group has not yet made any charitable donations during the Reporting Period.









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**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ANACLE SYSTEMS LIMITED**  
(incorporated in Singapore with limited liability)

**Opinion**

We have audited the consolidated financial statements of Anacle Systems Limited (the “Company”) and its subsidiaries (together the “Group”) set out on page 76 to page 146, which comprise the consolidated statement of financial position as at 31 May 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 May 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Contract Accounting Estimates**

Refer to notes 4(i), 20 and 24 to the consolidated financial statements.

The Group recorded contract revenue from the projects of provision of enterprise application software solutions and energy management solutions totalling S\$15,710,562 (2020: S\$13,563,108) for the year ended 31 May 2021, which represented 71% (2020: 72%) of total revenue.

Contract revenue is recognised progressively over time using the input method, based on the significant management judgements and estimates including total contract costs, remaining costs to completion and contract risks. Contract costs are recognised when work is performed, together with any provisions for expected contract losses.



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Management reviews and revises the estimates of contract revenue, contract costs and variation orders for each contract by comparing the most current budgeted amounts with corresponding actual amounts as the contract work progresses.

The recognition of revenue and profit relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgement, particularly in forecasting the costs to complete a contract, in valuing contract variations, claims and liquidated and ascertained damages, in estimating the amount of expected losses and in assessing the ability of the Group to deliver services according to the agreed timetable.

We identified contract accounting estimates as a key audit matter because the estimation of the total contract revenue and total costs to complete contracts is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.

Relevant disclosures for the significant judgements and estimates are included in note 5 to the consolidated financial statements.

Our response:

Our procedures in relation to project revenue recognition included:

- obtaining a detailed breakdown of the total estimated costs to completion for all contracts in progress during the year and comparing, on a sample basis, actual costs incurred to the reporting date and future cost estimates with agreements, certifications or correspondence with subcontractors and suppliers and other documentation referred to by management in its assessment of the estimated costs to completion;
- for all projects in progress at the reporting date, challenging the assumptions and critical judgements made by management which impacted their estimations of the liquidated and ascertained damages assessments by comparing the key terms and conditions in the assessments with contract agreements with customers and by comparing the estimated contract completion time with the Group's updated progress report or correspondence from customers;
- performing a retrospective review of contracts completed during the current year by comparing the final outcome of the contracts with previous estimates made for those contracts to assess the reliability of the management's forecasting process;
- assessing the significant judgements made by management, through the examination of project documentation, including the total budgeted contract costs, by checking to the invoices or quotations and comparing to the work hours used by similar projects in the past, and discussion of the status of those projects in progress with management, finance, and technical personnel of the Group; and
- comparing the budgeted contract costs with the actual costs incurred to assess if there were any material differences.



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**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ANACLE SYSTEMS LIMITED**  
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**Other Information in the Annual Report**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Directors' Responsibilities for the Consolidated Financial Statements**

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.



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**INDEPENDENT AUDITOR'S REPORT**  
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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited  
Certified Public Accountants  
Ho Yee Man  
Practising Certificate no. P07395

Hong Kong, 20 August 2021



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MAY 2021**

	Notes	2021 S\$	2020 S\$
Revenue	6(c)	22,164,921	18,933,335
Cost of sales		<u>(13,142,101)</u>	<u>(11,339,175)</u>
<b>Gross profit</b>		<b>9,022,820</b>	<b>7,594,160</b>
Other revenue	7	989,805	801,630
Other gains and losses	8	(441,594)	(213,089)
Marketing and other operating expenses		(1,333,852)	(1,604,467)
Administrative expenses		(5,022,718)	(4,652,929)
Research and development costs		(981,261)	(871,223)
Impairment of intangible assets		-	(716,988)
Impairment of property, plant and equipment		-	(316,049)
Finance costs	9	(66,871)	(36,324)
Share of loss of an associate	17	-	<u>(110,223)</u>
<b>Profit/(loss) before income tax</b>	<b>10</b>	<b>2,166,329</b>	<b>(125,502)</b>
Income tax expense	13	<u>(33,256)</u>	<u>(5,872)</u>
<b>Profit/(loss) for the year</b>		<b>2,133,073</b>	<b>(131,374)</b>
<b>Other comprehensive income</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		<u>(390)</u>	<u>(24,065)</u>
<b>Total comprehensive income for the year</b>		<b>2,132,683</b>	<b>(155,439)</b>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		2,134,889	266,644
Non-controlling interests		<u>(1,816)</u>	<u>(398,018)</u>
		<b>2,133,073</b>	<b>(131,374)</b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		2,134,499	246,426
Non-controlling interests		<u>(1,816)</u>	<u>(401,865)</u>
		<b>2,132,683</b>	<b>(155,439)</b>
		Singapore cents	Singapore cents
<b>Earnings per share attributable to owners of the Company</b>			
- Basic	14	<u>0.54</u>	<u>0.07</u>
- Diluted	14	<u>0.53</u>	<u>0.07</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MAY 2021**

	Notes	2021 S\$	2020 S\$
<b>Non-current assets</b>			
Property, plant and equipment	15	747,731	113,884
Right-of-use assets	36	4,182,255	256,561
Intangible assets	16	849,334	1,741,074
Interests in associates	17	-	-
		<u>5,779,320</u>	<u>2,111,519</u>
<b>Current assets</b>			
Trade receivables	19	7,511,898	6,331,514
Contract assets	20	273,303	701,809
Other receivables, deposits and prepayments	21	646,850	638,175
Inventories	22	836,072	1,118,531
Bank balances and cash		<u>8,176,761</u>	<u>4,749,041</u>
		<u>17,444,884</u>	<u>13,539,070</u>
<b>Current liabilities</b>			
Trade payables	23	1,751,831	759,623
Contract liabilities	24	808,773	850,138
Other payables and accruals	25	2,194,917	1,478,271
Amount due to a director		10,395	9,890
Provision for warranty	26	7,200	41,000
Deferred government grants	27	-	390,343
Lease liabilities	29	834,051	188,002
Income tax payables		<u>33,087</u>	<u>26,656</u>
		<u>5,640,254</u>	<u>3,743,923</u>
<b>Net current assets</b>		<u><b>11,804,630</b></u>	<u><b>9,795,147</b></u>
<b>Total assets less current liabilities</b>		<u><b>17,583,950</b></u>	<u><b>11,906,666</b></u>
<b>Non-current liabilities</b>			
Provision for reinstatement cost		60,000	-
Deferred tax liabilities	30	570	582
Lease liabilities	29	<u>3,445,336</u>	<u>78,802</u>
		<u>3,505,906</u>	<u>79,384</u>
<b>NET ASSETS</b>		<u><b>14,078,044</b></u>	<u><b>11,827,282</b></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MAY 2021**

	Note	2021 S\$	2020 S\$
<b>Capital and reserves</b>			
Share capital	31	20,645,177	20,756,598
Reserves		<u>(6,516,469)</u>	<u>(8,880,468)</u>
Equity attributable to owners of the Company		14,128,708	11,876,130
Non-controlling interests		<u>(50,664)</u>	<u>(48,848)</u>
<b>TOTAL EQUITY</b>		<b><u>14,078,044</u></b>	<b><u>11,827,282</u></b>

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Mr. Lau E Choon Alex  
Director

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Mr. Ong Swee Heng  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MAY 2021**

	Attributable to owners of the Company							Total
	Ordinary share capital	Share capital pending allotment (note 31)	Share premium	Share-based compensation reserve	Exchange fluctuation reserve	Accumulated losses	Non- controlling interests	
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	
<b>At 1 June 2019</b>	20,756,598	-	(1,376,024)	1,385,381	71,375	(9,241,274)	328,613	11,924,669
Profit/(loss) for the year	-	-	-	-	-	266,644	(398,018)	(131,374)
Other comprehensive income	-	-	-	-	(20,218)	-	(3,847)	(24,065)
Total comprehensive income	-	-	-	-	(20,218)	266,644	(401,865)	(155,439)
Recognition of share-based payment expenses	-	-	-	33,648	-	-	-	33,648
Lapse of share options	-	-	-	(571,330)	-	571,330	-	-
Forfeiture of share options	-	-	-	(158,945)	-	158,945	-	-
Deemed disposal of a subsidiary	-	-	-	-	-	-	24,404	24,404
<b>At 31 May 2020</b>	20,756,598	-	(1,376,024)	688,754	51,157	(8,244,355)	(48,848)	11,827,282
Profit/(loss) for the year	-	-	-	-	-	2,134,889	(1,816)	2,133,073
Other comprehensive income	-	-	-	-	(390)	-	-	(390)
Total comprehensive income	-	-	-	-	(390)	2,134,889	(1,816)	2,132,683
Ordinary shares repurchased and cancelled (note 31)	(111,421)	-	-	-	-	-	-	(111,421)
Exercise of share options (note 34)	-	229,500	-	(365,824)	-	365,824	-	229,500
<b>At 31 May 2021</b>	20,645,177	229,500	(1,376,024)	322,930	50,767	(5,743,642)	(50,664)	14,078,044

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MAY 2021**

	2021 S\$	2020 S\$
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax	2,166,329	(125,502)
Adjustments for:		
Depreciation of property, plant and equipment	148,748	135,017
Depreciation of right-of-use assets	789,710	773,649
Amortisation of intangible assets	891,740	1,012,207
Gain on deemed disposal of a subsidiary	-	(24,502)
Impairment of intangible assets	-	716,988
Impairment of property, plant and equipment	-	316,049
Write-off of property, plant and equipment	-	27,545
Write-off of amount due from an associate	-	155,575
Share of loss of an associate	-	110,223
Interest expense	-	1,629
Interest expense on lease liabilities	66,871	34,695
Interest income	(2,308)	(3,486)
Share-based payment	-	33,648
Government grants	(979,000)	(766,830)
Provision /(reversal of provision) for expected credit loss		
- Trade receivables and contract assets	299,219	(30,820)
- Other receivables	(67,846)	55,910
Write-off of inventories	12,288	838
Provision/(reversal of provision) for obsolete inventories	166,077	(307)
(Reversal of provision)/provision for warranty	(33,800)	28,400
Provision for onerous contract	21,719	-
<b>Operating cash flows before working capital changes</b>	<b>3,479,747</b>	<b>2,450,926</b>
Increase in trade receivables	(1,480,942)	(2,057,403)
Decrease in contract assets	430,899	1,396,318
(Increase)/decrease in other receivables, deposits and prepayments	(269,840)	147,797
Decrease in inventories	103,836	243,022
Increase/(decrease) in trade payables	989,737	(235,690)
(Decrease)/increase in contract liabilities	(41,846)	313,345
Increase in other payables and accruals	989,586	515,459
Effect of foreign exchange rate changes	11,199	(18,246)
<b>Net cash generated from operations</b>	<b>4,212,376</b>	<b>2,755,528</b>
Income tax paid	(26,221)	(3,476)
<b>Net cash generated from operating activities</b>	<b>4,186,155</b>	<b>2,752,052</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MAY 2021**

	2021 S\$	2020 S\$
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(784,040)	(12,982)
Advance to an associate	-	(155,575)
Investment in an associate	-	(33,590)
Interest received	2,308	3,486
Deemed disposal of a subsidiary	-	(154,352)
<b>Net cash used in investing activities</b>	<b>(781,732)</b>	<b>(353,013)</b>
<b>Cash flows from financing activities</b>		
Receipts from government grants	852,136	812,651
Repayment of lease liabilities	(709,512)	(796,863)
Payment on repurchase of shares	(111,421)	-
Interest paid	-	(1,629)
Decrease in trade finance advances	-	(103,325)
<b>Net cash generated from/(used in) financing activities</b>	<b>31,203</b>	<b>(89,166)</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,435,626</b>	<b>2,309,873</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>4,749,041</b>	<b>2,428,307</b>
Effect of foreign exchange rate changes	(7,906)	10,861
<b>Cash and cash equivalents at end of year</b>	<b>8,176,761</b>	<b>4,749,041</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	8,176,761	4,749,041

## Notes to The Consolidated Financial Statements

### 1. GENERAL

Anacle Systems Limited (the “Company”) was incorporated as a limited private company in Singapore on 21 February 2006. On 25 November 2017, the Company was converted into a “public company limited by shares” under the Singapore Companies Act and the Company was renamed from Anacle Systems Pte. Ltd. to Anacle Systems Limited with immediate effect. The address of the Company’s registered office and principal place of business is 3 Fusionopolis Way, #14-21 Symbiosis, Singapore 138633.

The Company’s shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Group are software development, provision of enterprise application software solutions and energy management solutions, and provision of support and maintenance services. The principal activities of its subsidiaries are set out in note 18 to the consolidated financial statements.

### 2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

#### (a) Adoption of new/revised IFRSs – effective 1 June 2020

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IAS 39, IFRS 7 and IFRS 9	Interest Rate Benchmark Reform
Amendments to IFRS 16	Covid-19 – Related Rent Concessions

None of these new or amended IFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended IFRS that is not yet effective for the current accounting period.

## Notes to The Consolidated Financial Statements

### 2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

#### (b) New/revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>4</sup>
Amendments to IAS 16	Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
IFRS 17	Insurance Contracts <sup>4</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 <sup>2</sup>
Amendments to IFRS 16	Covid-19 - Related Rent Concessions Beyond 30 June 2021 <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>5</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

<sup>6</sup> Effective for annual periods beginning on or after 1 April 2021

#### Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have a material impact on the consolidated financial statements

#### Amendments to IAS 16 - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have a material impact on the consolidated financial statements.

## Notes to The Consolidated Financial Statements

### 2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

#### (b) New/revised IFRSs that have been issued but are not yet effective (Continued)

##### Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have a material impact on the consolidated financial statements.

##### IFRS 17 – Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4, Insurance Contracts. The standard outlines a "General Model", which is modified for insurance contracts with direct participation features, described as the "Variable Fee Approach". The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have an impact on the consolidated financial statements

##### Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

## Notes to The Consolidated Financial Statements

### 2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

#### (b) New/revised IFRSs that have been issued but are not yet effective (Continued)

##### Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

##### Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 - Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.



## Notes to The Consolidated Financial Statements

### 2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

#### (b) New/revised IFRSs that have been issued but are not yet effective (Continued)

##### Annual Improvements to IFRSs 2018-2020

The annual improvements amend a number of standards, including:

- IFRS 1, First-time Adoption of International Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9, Financial Instruments, which clarify the fees included in the "10 per cent" test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

##### Amendments to IFRS 16 - Covid-19 - Related Rent Concessions Beyond 30 June 2021

The amendments extend the availability of the practical expedient in paragraph 46A of IFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

### 3. BASIS OF PREPARATION

#### (a) Statement of compliance

The financial statements have been prepared in accordance with all applicable IFRSs, International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as the "IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

#### (b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

#### (c) Functional and presentation currency

The financial statements are presented in Singapore dollars ("S\$"), which is the same as the functional currency of the Company.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) Business combination and basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

#### (b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights to, variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

#### (c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions are eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

**Notes to The Consolidated Financial Statements****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(c) Associates (Continued)**

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognised in other comprehensive income in relation to that associate are recognised on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

**(d) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expense in profit or loss during the financial period in which they are incurred.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Computers	3 years
Furniture and fixtures	3 years
Plant and equipment	10 years
Leasehold improvements	Over the lease term

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

#### (e) Leases

##### *The Group as a lessee*

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.



**Notes to The Consolidated Financial Statements****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(e) Leases (Continued)****The Group as a lessee (Continued)**

## Right of use asset

The right-of-use asset is initially recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

## Lease liabilities

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- (i) fixed lease payments less any lease incentives receivable;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;
- (iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Leases (Continued)

##### *The Group as a lessee (Continued)*

##### Lease liabilities (Continued)

Subsequent to the commencement date, the Group measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for Covid-19-Related Rent Concessions applies (see note 2(a)), if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Leases (Continued)

##### *The Group as a lessor*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on either a straight-line basis or another systematic basis over the remaining lease term.

#### (f) Intangible assets (other than goodwill)

##### (i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in cost of sales. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Simplicity	5 years
Simplicity GEMINI	5 years
Starlight	5-10 years
Starlight (Tesseract)	10 years
SpaceMonster	5 years
myBill.sg Portal	5 years

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Intangible assets (other than goodwill) (Continued)

##### (ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

##### (iii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(o)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in prior years. All reversals are recognised in the profit or loss immediately.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Financial instruments

##### (i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

##### (ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, contract assets and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Financial instruments (Continued)

##### (ii) Impairment loss on financial assets (Continued)

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is over 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

The Group rebutted the presumption of significant increase in credit risk under ECL model for trade receivables and contract assets over 30 days past due based on the good repayment records for those customers and continuous business with the Group. Customers are assessed collectively based on provision matrix based on historical credit loss experience adjusted by forward looking estimates.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.



**Notes to The Consolidated Financial Statements****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(g) Financial instruments (Continued)****(ii) Impairment loss on financial assets (Continued)**

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

**Write-off policy**

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

**(iii) Financial liabilities**

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

**Financial liabilities at amortised cost**

Financial liabilities at amortised cost including trade and other payables, amount due to a director and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

**(iv) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

**(v) Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Financial instruments (Continued)

##### (vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

#### (h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (i) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component using the practical expedient in IFRS 15.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (i) Revenue recognition (Continued)

Contract revenue from projects of provision of enterprise application software solutions and energy management solutions

The Group generates revenue from projects of provision of enterprise application software solutions and energy management solutions. The transaction price for the services are charged at a fixed contracted price. Invoices are issued according to contractual terms and are usually payable within 90 days.

Revenue for projects are recognised by reference to the stage of completion when this can be measured reliably. The stage of completion is determined by reference to the work done at the end of reporting period as a percentage of total estimated work. Foreseeable losses from contracts are fully provided for when they are identified. The revenue is recognised over time as the Group's activities create or enhance an asset under the customer's control.

Contract balances relating to system integration contracts in progress were presented in the statement of financial position under "contract assets" or "contract liabilities" respectively. Details please refer to note 4(j).

Revenue from rendering of services including maintenance

Revenues are recognised over time as the benefits are received and consumed simultaneously by the customer. The services are charged at a fixed rate with no significant variable consideration. The Group recognises revenue in the amount to which the entity has the right to invoice, which is representative to the value being delivered. Invoices for maintenance services are issued on a monthly basis and are usually payable within 30 days. No significant financial component existed.

Revenue from sales of hardware

Sales of hardware are recognised when the customer takes possession of and accepts the products. This is usually taken as the time when the goods are delivered and the customer has accepted the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. There is generally only one performance obligation. Invoices are issued when the customer takes possession of and accepts the products and are usually payable within 30 days from the date of billing. No significant financial component existed. The transaction price is determined based on a stand-alone selling price specified in the contracts for sales of hardware.

Subscription income

Revenues are recognised over time as the benefits are received and consumed simultaneously by the customer. The services are charged at a fixed rate with no significant variable consideration. The Group recognises revenue in the amount to which the entity has the right to invoice, which is representative to the value being delivered.

Rental income

Rental income from leasing of hardware is recognised on a straight-line basis over the term of the relevant lease.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (i) Revenue recognition (Continued)

##### Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

#### (j) Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

##### Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Income taxes

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

#### (l) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (l) Foreign currencies (Continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Singapore dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange fluctuation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange fluctuation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange fluctuation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

#### (m) Employee benefits

##### (i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

##### (ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes mandatory contributions to the Central Provident Fund in Singapore, a defined contribution scheme with individualised accounts fully-funded by both workers and employers.



**Notes to The Consolidated Financial Statements****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(n) Share-based payments**

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share-based compensation reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

**(o) Impairment of assets (other than financial assets)**

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Right-of-use assets;
- Intangible assets;
- Investments in subsidiaries; and
- Interests in associates

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (p) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred government grants and consequently are effectively recognised in profit or loss over the useful life of the asset.

#### (q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Company.

## Notes to The Consolidated Financial Statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (r) Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

- (i) Revenue recognition of contract revenue from projects of provision of enterprise application software solutions and energy management solutions

The Group recognises revenue from provision of enterprise application software solutions and energy management solutions over time by measuring the progress towards complete satisfaction of the relevant performance obligation. The progress is determined based on the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation by reference to the proportion of the actual costs incurred relative to the total expected contract costs, that best depict the Group's performance in creating or enhancing an asset under the customer's control. Notwithstanding that the management reviews and revises the estimates of total cost incurred and expected to be incurred for each individual project as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

## Notes to The Consolidated Financial Statements

### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Critical judgement in applying accounting policies (Continued)

##### (ii) Determining the lease term

The lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

#### Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have significant risks of resulting in material adjustments to the carrying amounts of assets and liabilities within next financial year are as follows:

##### (i) Useful lives and impairment of intangible assets

The useful lives of intangible assets are estimated based on historical experience, which include actual useful lives of similar assets and changes on technology. The Group reviews the estimated useful lives of intangible assets at the end of each reporting period. Management is satisfied that there is no change in the estimated useful lives of the intangible assets from prior years.

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. The management is satisfied that no impairment loss is required to be recognised during the period.

##### (ii) Recoverability of contract assets for contracted enterprise application software solutions and energy management solutions services

The Group works on projects of provision of enterprise application software solutions and energy management solutions to customers before the customers pay consideration or before payments are due, contract assets are recognised for the earned considerations that are conditional. Contract assets are stated at cost less impairment. In assessing the recoverability of the contract assets, the Group regularly reviews and, where appropriate, adjusts the financial budget of each construction work based on work progress and latest available information (including correspondence with contract customers), and estimates the amount of foreseeable losses or attributable profits of each construction contract. When it is probable that total contract costs will exceed total contract revenue which indicates an impairment, the expected loss is recognised as an expense immediately. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

## Notes to The Consolidated Financial Statements

### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Key sources of estimation uncertainty (Continued)

- (ii) Recoverability of contract assets for contracted enterprise application software solutions and energy management solutions services (Continued)

As at 31 May 2021, the Group recognised contract assets of S\$273,303. The recoverability assessment of these contract assets involves significant estimations and judgements made by management when management prepares financial budgets of each construction work.

- (iii) Impairment assessment of trade receivables

As at 31 May 2021, the Group recorded gross trade receivables of S\$7,901,177, before impairment provision of trade receivables of S\$389,279. In general, the credit terms granted by the Group to the customers generally ranged from zero to three months. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

### 6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategy decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Simplicity and myBill – a package of enterprise application software solutions which provides specific solutions for enterprise asset management, shared resources management, tenancy management, financial management, supply chain management, customer relationship management and billing management;
- Starlight - a one-stop cloud-based energy management solutions which provides all-time access to the energy profiles of buildings, including information such as energy consumption, power quality, energy analytics and carbon footprint profiles; and
- SpaceMonster - an online venue booking platform.

Inter-segment transactions, if any, are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

## Notes to The Consolidated Financial Statements

## 6. SEGMENT REPORTING (Continued)

## (a) Business segments

	<u>Simplicity and myBill</u>		<u>Starlight</u>		<u>SpaceMonster</u>		<u>Total</u>	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$	2021 S\$	2020 S\$	2021 S\$	2020 S\$
Revenue from external customers	20,131,839	15,250,431	1,698,505	3,454,550	334,577	228,354	22,164,921	18,933,335
Gross profit	7,879,577	6,654,586	814,628	731,320	328,615	208,254	9,022,820	7,594,160
Reportable segment profit/(loss) before income tax	6,587,380	5,648,152	(456,698)	(1,652,818)	328,461	208,218	6,459,143	4,203,552
Depreciation and amortisation	918,027	891,744	16,230	173,267	-	12,862	934,257	1,077,873
Impairment of intangible assets	-	-	-	716,988	-	-	-	716,988
Impairment of property, plant and equipment	-	-	-	316,049	-	-	-	316,049
Provision/(reversal of provision) for obsolete inventories	-	-	166,077	(307)	-	-	166,077	(307)
Write-off of inventories	-	-	12,288	838	-	-	12,288	838
Provision/(reversal of provision) for expected credit loss – trade receivables and contract assets	236,876	(30,043)	62,189	(813)	154	36	299,219	(30,820)
(Reversal of provision)/provision for expected credit loss – other receivables	-	-	(67,846)	55,910	-	-	(67,846)	55,910
Write-off of amount due from an associate	-	155,575	-	-	-	-	-	155,575
Reportable segment assets	8,210,297	8,488,863	1,582,352	1,600,496	37,782	8,964	9,830,431	10,098,323
Additions to non-current assets	85,648	4,518	12,043	8,464	-	-	97,691	12,982
Reportable segment liabilities	2,646,118	1,530,024	254,082	296,438	-	(358)	2,900,200	1,826,104



## Notes to The Consolidated Financial Statements

## 6. SEGMENT REPORTING (Continued)

## (b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2021 S\$	2020 S\$
<b>Profit/(loss) before income tax</b>		
Reportable segment profit	6,459,143	4,203,552
Other revenue	919,782	556,936
Other gains and losses	(31,856)	(31,893)
Finance costs	(66,871)	(36,324)
Unallocated expenses:		
- Staff costs	(3,262,432)	(2,832,932)
- Share-based payments	-	(33,648)
- Rental expenses	(4,326)	(4,963)
- Auditor's remuneration	(138,848)	(133,386)
- Legal and professional fee	(213,424)	(376,032)
- Depreciation	(106,231)	(69,351)
- Depreciation of right-of-use assets	(789,710)	(773,649)
- Others	(598,898)	(593,812)
Consolidated profit/(loss) before income tax	<u>2,166,329</u>	<u>(125,502)</u>
	<b>2021 S\$</b>	<b>2020 S\$</b>
<b>Assets</b>		
Reportable segment assets	9,830,431	10,098,323
Bank balances and cash	8,176,761	4,749,041
Right-of-use assets	4,182,255	256,561
Property, plant and equipment	621,376	33,982
Unallocated corporate assets	<u>413,381</u>	<u>512,682</u>
Consolidated total assets	<u>23,224,204</u>	<u>15,650,589</u>
	<b>2021 S\$</b>	<b>2020 S\$</b>
<b>Liabilities</b>		
Reportable segment liabilities	2,900,200	1,826,104
Other payables and accruals	1,862,521	1,302,928
Lease liabilities	4,279,387	266,804
Unallocated corporate liabilities	<u>104,052</u>	<u>427,471</u>
Consolidated total liabilities	<u>9,146,160</u>	<u>3,823,307</u>

## Notes to The Consolidated Financial Statements

### 6. SEGMENT REPORTING (Continued)

#### (c) Disaggregation of revenue

In the following table, revenue is disaggregated by timing of recognition and primary geographical market as below:

	Simplicity and myBill		Starlight		SpaceMonster		Total	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$	2021 S\$	2020 S\$	2021 S\$	2020 S\$
<b>Timing of revenue recognition</b>								
<b>Transferred over time</b>								
- Project revenue	14,473,790	10,521,213	1,236,772	3,041,895	-	-	15,710,562	13,563,108
- Maintenance services	3,967,219	2,926,941	320,160	239,470	917	5,804	4,288,296	3,172,215
- Subscription	1,499,600	1,788,457	-	-	333,660	222,550	1,833,260	2,011,007
<b>Recognised at a point in time</b>								
- Sale of equipment	191,230	13,820	82,548	114,715	-	-	273,778	128,535
<b>Other sources</b>								
- Lease of equipment	-	-	59,025	58,470	-	-	59,025	58,470
	<u>20,131,839</u>	<u>15,250,431</u>	<u>1,698,505</u>	<u>3,454,550</u>	<u>334,577</u>	<u>228,354</u>	<u>22,164,921</u>	<u>18,933,335</u>
<b>Primary geographical markets</b>								
Singapore	19,440,760	14,219,348	1,541,159	3,356,600	334,577	228,354	21,316,496	17,804,302
Malaysia	13,723	32,824	148,281	67,567	-	-	162,004	100,391
People's Republic of China (the "PRC")	116,715	212,837	-	-	-	-	116,715	212,837
Others	560,641	785,422	9,065	30,383	-	-	569,706	815,805
	<u>20,131,839</u>	<u>15,250,431</u>	<u>1,698,505</u>	<u>3,454,550</u>	<u>334,577</u>	<u>228,354</u>	<u>22,164,921</u>	<u>18,933,335</u>

#### (d) Geographical information

The following table provides an analysis of the Group's non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets"):

	2021 S\$	2020 S\$
<b>Specified non-current assets</b>		
Singapore	5,655,111	1,791,577
India	124,209	63,381
	<u>5,779,320</u>	<u>1,854,958</u>

## Notes to The Consolidated Financial Statements

## 6. SEGMENT REPORTING (Continued)

## (e) Information about major customers

Revenue from the Group's major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2021 S\$	2020 S\$
Customer A	9,133,833	2,028,926
Customer B	2,566,376	2,429,166
Customer C	N/A <sup>1</sup>	2,595,321

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.

## 7. OTHER REVENUE

	2021 S\$	2020 S\$
Government grants (note)	979,000	766,830
Gain on deemed disposal of a subsidiary	-	24,502
Interest income	2,308	3,486
Others	8,497	6,812
	<u>989,805</u>	<u>801,630</u>

Note:

The government grants included a balance of S\$779,048 (2020: S\$490,539) represented grant received under Jobs Support Scheme ("JSS") from the Singapore government. For details, please refer to note 27.

## 8. OTHER GAINS AND LOSSES

	2021 S\$	2020 S\$
(Provision)/reversal of provision for obsolete inventories	(166,077)	307
Net exchange losses	(31,856)	(4,348)
Write-off of inventories	(12,288)	(838)
(Provision)/reversal of provision for expected credit loss		
- Trade receivables and contract assets	(299,219)	30,820
- Other receivables	67,846	(55,910)
Write-off of property, plant and equipment	-	(27,545)
Write-off of amount due from an associate	-	(155,575)
	<u>(441,594)</u>	<u>(213,089)</u>

## Notes to The Consolidated Financial Statements

### 9. FINANCE COSTS

	2021 S\$	2020 S\$
Interest on bank borrowings	-	1,629
Interest on lease liabilities	66,871	34,695
	<u>66,871</u>	<u>36,324</u>

### 10. PROFIT/(LOSS) BEFORE INCOME TAX

	2021 S\$	2020 S\$
Profit/(loss) before income tax is arrived after charging/(crediting):		
Staff costs (including directors' emoluments (note 11))		
Salaries and allowances	9,920,097	9,410,266
Contributions on defined contribution retirement plans	833,026	854,544
Share-based payments	-	33,648
	<u>10,753,123</u>	<u>10,298,458</u>
Auditor's remuneration	138,848	133,386
Depreciation of property, plant and equipment	148,748	135,017
Depreciation of right-of-use assets	789,710	773,649
Amortisation of intangible assets	891,740	1,012,207
Provision of expected credit loss	231,373	25,090
Write-off of inventories	12,288	838
Provision/(reversal of provision) for obsolete inventories	166,077	(307)
Impairment of intangible assets	-	716,988
Impairment of property, plant and equipment	-	316,049

## Notes to The Consolidated Financial Statements

## 11. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

2021	Directors' fees	Basic remuneration, allowances and benefits in kind	Contribution on defined contribution retirement plans	Total
	S\$	S\$	S\$	S\$
<b>Executive Directors</b>				
Mr. Lau E Choon Alex	-	310,676	16,660	327,336
Mr. Ong Swee Heng	-	306,000	18,768	324,768
<b>Non-executive Directors</b>				
Prof. Wong Poh Kam	25,000	-	-	25,000
Dr. Chong Yoke Sin	16,670	-	-	16,670
Mr. Lee Suan Hiang	25,000	-	-	25,000
<b>Independent Non-executive Directors</b>				
Mr. Alwi Bin Abdul Hafiz	25,000	-	-	25,000
Mr. Elango Subramanian	25,000	-	-	25,000
Mr. Li Man Wai	25,000	-	-	25,000
	141,670	616,676	35,428	793,774
<b>2020</b>				
	Directors' fees	Basic remuneration, allowances and benefits in kind	Contribution on defined contribution retirement plans	Total
	S\$	S\$	S\$	S\$
<b>Executive Directors</b>				
Mr. Lau E Choon Alex	-	295,828	16,320	312,148
Mr. Ong Swee Heng	-	255,600	15,912	271,512
<b>Non-executive Directors</b>				
Prof. Wong Poh Kam	25,000	-	-	25,000
Mr. Robert Chew	25,000	-	-	25,000
Mr. Lee Suan Hiang	25,000	-	-	25,000
<b>Independent Non-executive Directors</b>				
Mr. Alwi Bin Abdul Hafiz	25,000	-	-	25,000
Mr. Elango Subramanian	25,000	-	-	25,000
Mr. Li Man Wai	25,000	-	-	25,000
	150,000	551,428	32,232	733,660

## Notes to The Consolidated Financial Statements

### 11. DIRECTORS' EMOLUMENTS (Continued)

No directors waived or agreed to waive any emoluments during the year ended 31 May 2021 (2020: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 May 2021 (2020: Nil).

### 12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2020: two) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining three (2020: three) individuals are as follows:

	2021 S\$	2020 S\$
Salaries, allowances and benefits in kind	1,059,975	640,800
Share-based payments	-	9,508
Contributions on defined contribution retirement plans	52,020	51,000
	<u>1,111,995</u>	<u>701,308</u>

Their emoluments were within the following bands:

	2021 No. of individuals	2020 No. of individuals
HK\$1,000,001 to HK\$1,500,000 (equivalent to S\$174,330 to S\$261,495)	1	3
HK\$2,000,001 to HK\$2,500,000 (equivalent to S\$348,660 to S\$435,825)	1	-
HK\$2,500,001 to HK\$3,000,000 (equivalent to S\$435,825 to S\$522,990)	1	-
	<u>1</u>	<u>-</u>

The emoluments paid or payable to members of senior management were within the following bands:

	2021 No. of individuals	2020 No. of individuals
HK\$Nil to HK\$1,000,000 (equivalent to Nil to S\$174,330)	1	2
HK\$1,000,001 to HK\$1,500,000 (equivalent S\$174,330 to S\$261,495)	2	2
HK\$2,000,001 to HK\$2,500,000 (equivalent to S\$348,660 to S\$435,825)	1	-
	<u>1</u>	<u>-</u>



## Notes to The Consolidated Financial Statements

## 13. INCOME TAX EXPENSE

(a) Taxation in the consolidated statements of comprehensive income represents:

	2021 S\$	2020 S\$
Current tax – overseas		
- provision for the year	33,256	7,357
Deferred tax (note 30)	-	(1,485)
	<u>33,256</u>	<u>5,872</u>

Pursuant to the corporate tax rules and regulations of Singapore, Malaysia and India, the corporate taxes of the Company, Anacle Systems Sdn. Bhd. and Anacle Systems (India) Private Limited are calculated at 17%, 17% and 29% respectively for the financial years ended 31 May 2021 and 2020, on the chargeable income.

The corporate income tax rate applicable to the Company's subsidiary in the PRC is 25% according to tax laws and regulations.

(b) The income tax expense for the year can be reconciled to the profit/(loss) before income tax in the consolidated statements of comprehensive income as follows:

	2021 S\$	2020 S\$
Profit/(loss) before income tax	<u>2,166,329</u>	<u>(125,502)</u>
Tax expense/(credit) calculated at Singapore income tax rate of 17%	368,276	(21,335)
Effect of different tax rates of the subsidiaries operating in other jurisdictions	8,388	(40,260)
Tax effect of revenue not taxable for tax purposes	(136,117)	(127,900)
Tax effect of expenses not deductible for tax purposes	50,586	15,717
Utilisation of tax losses previously not recognised	(509,164)	-
Tax effect of temporary differences not recognised	<u>251,287</u>	<u>179,650</u>
Income tax expense	<u>33,256</u>	<u>5,872</u>

## Notes to The Consolidated Financial Statements

### 14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

Earnings		
	<b>2021</b>	<b>2020</b>
	<b>S\$</b>	<b>S\$</b>
Profit for the purpose of basic earnings per share	<u>2,134,889</u>	<u>266,644</u>
Number of shares		
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	398,716,312	399,158,496
Effect of dilutive potential ordinary shares:		
- share options	<u>7,586,491</u>	<u>7,881,926</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>406,302,803</u>	<u>407,040,422</u>

## Notes to The Consolidated Financial Statements

## 15. PROPERTY, PLANT AND EQUIPMENT

	Computers S\$	Furniture and fixtures S\$	Plant and equipment S\$	Leasehold improvements S\$	Total S\$
<b>Cost</b>					
At 1 June 2019	354,709	203,793	741,202	423,748	1,723,452
Additions	11,466	-	1,516	-	12,982
Write-off	(7,756)	(16,736)	-	(56,630)	(81,122)
Deemed disposal of a subsidiary	(40,522)	(1,849)	-	-	(42,371)
Exchange alignment	(3,532)	(433)	(4,129)	87	(8,007)
At 31 May 2020	314,365	184,775	738,589	367,205	1,604,934
Additions	95,413	120,791	1,847	565,989	784,040
Write-off	(91,042)	(177,803)	-	(367,205)	(636,050)
Exchange alignment	(1,035)	(156)	(1,576)	-	(2,767)
At 31 May 2021	317,701	127,607	738,860	565,989	1,750,157
<b>Accumulated depreciation and impairment</b>					
At 1 June 2019	228,389	191,976	294,152	388,407	1,102,924
Charge for the year	56,258	3,203	65,665	9,891	135,017
Impairment loss	-	-	316,049	-	316,049
Write-off	(7,295)	(14,815)	-	(31,467)	(53,577)
Deemed disposal of a subsidiary	(6,039)	(293)	-	-	(6,332)
Exchange alignment	(1,857)	(94)	(1,116)	36	(3,031)
At 31 May 2020	269,456	179,977	674,750	366,867	1,491,050
Charge for the year	55,478	14,043	15,907	63,320	148,748
Write-off	(91,042)	(177,803)	-	(367,205)	(636,050)
Exchange alignment	(788)	(50)	(484)	-	(1,322)
At 31 May 2021	233,104	16,167	690,173	62,982	1,002,426
<b>Net carrying value</b>					
At 31 May 2021	84,597	111,440	48,687	503,007	747,731
At 31 May 2020	44,909	4,798	63,839	338	113,884

## Notes to The Consolidated Financial Statements

## 16. INTANGIBLE ASSETS

	Simplicity S\$ (note (a))	Simplicity (GEMINI) S\$ (note (b))	Starlight S\$ (note (c))	Starlight (Tesseract) S\$ (note (c))	SpaceMonster S\$ (note (d))	myBill.sg Portal S\$ (note (e))	Total S\$
<b>Cost</b>							
At 1 June 2019	2,916,009	187,831	1,214,714	1,984,926	64,310	1,880,777	8,248,567
Additions	-	-	-	-	-	-	-
At 31 May 2020	2,916,009	187,831	1,214,714	1,984,926	64,310	1,880,777	8,248,567
Additions	-	-	-	-	-	-	-
At 31 May 2021	2,916,009	187,831	1,214,714	1,984,926	64,310	1,880,777	8,248,567
<b>Accumulated amortisation and impairment</b>							
At 1 June 2019	1,959,949	15,681	856,314	1,518,737	51,448	376,169	4,778,298
Charge for the year	478,032	37,560	59,733	47,868	12,862	376,152	1,012,207
Impairment loss	-	-	298,667	418,321	-	-	716,988
At 31 May 2020	2,437,981	53,241	1,214,714	1,984,926	64,310	752,321	6,507,493
Charge for the year	478,028	37,560	-	-	-	376,152	891,740
At 31 May 2021	2,916,009	90,801	1,214,714	1,984,926	64,310	1,128,473	7,399,233
<b>Net carrying value</b>							
At 31 May 2021	-	97,030	-	-	-	752,304	849,334
At 31 May 2020	478,028	134,590	-	-	-	1,128,456	1,741,074

## Notes:

- (a) A package of enterprise application software solutions developed internally by the Company, with estimated useful life of five years is tested for impairment and there is no indication that it needs to be impaired.
- (b) A new version of human resources application named as Simplicity GEMINI (Digital Twin) was developed by the Company and their development costs incurred was capitalised as intangible assets. The asset has an estimated useful life of five years. No indication of impairment is noted.

## Notes to The Consolidated Financial Statements

## 16. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

- (c) Starlight is a one-stop cloud-based energy management solutions developed internally by the Company in 2011, with estimated useful life of five to ten years.

Starlight (Tesseract) is a new version of energy management solutions developed internally by the Company in 2015, with estimated useful life of ten years. A new version of meter and communicator was developed by the Company in 2018 and their development costs incurred was capitalised as intangible assets. The development is completed in September 2018. They are launched to the market with the new version of energy management solution in March 2019.

Starlight and Starlight (Tesseract) was tested for impairment as the Starlight segment recorded a segment loss for the financial year ended 31 May 2020. For the purpose of impairment testing, cost of intangible assets and properties, plant and equipment of Starlight was allocated to the cash generating units ("CGU") identified of Starlight.

The recoverable amounts of Starlight's CGU had been determined from value-in-use calculations based on cash flow projections from approved budgets covering a three-year period. Cash flow beyond the three-year period was extrapolated using an estimated average growth rate of 5%, which did not exceed the long-term growth rate for the energy software industry in Singapore. Cash flows for the first three financial periods were based on recent budget prepared by the management. Budgeted gross margin was determined based on the unit's past performance and management's expectations for the market development.

	<b>2020</b>
Discount rate	16.1%
Operating margin	-8% to -12%
Growth rate within the three-year period	-45% to 75%

The discount rate used was pre-tax and reflects specific risks relating to the relevant segment. The growth rate within the three-year period had been based on past experience and expected sales orders estimated by management.

During the year ended 31 May 2020, segment loss was recorded due to excessive selling, marketing and research cost incurred in order to attract customers. The global economic outlook worsened which lead to reducing demands, and with more site installation constraints imposed by local government on energy meters, a lower or negative operating margin was expected by the management in the future. Management was of the opinion that under market preference, the possibility for the Group to generate future operating profit and cash inflow from Starlight's projects was remote. Therefore, the recoverable amounts determined by using value-in-use calculations was negative.

Accordingly, the whole gross carrying amounts of the intangible assets of Starlight and Starlight (Tesseract) amounted to S\$2,182,026 and property, plant and equipment amounted to S\$316,049 of the Starlight's CGU should be fully impaired. In 2019, an impairment loss of S\$1,465,038 was recognised, therefore the additional impairment loss of S\$716,988 on intangible assets and S\$316,049 on property, plant and equipment was recognised in the consolidated statement of comprehensive income for the year ended 31 May 2020.

As at 31 May 2021, the management is of the opinion that there is no indication that an impairment loss recognised in prior periods may no longer exist or may have decreased in view of segment loss incurred for the financial year 2021. In addition, there was no additional intangible assets or property, plant and equipment allocated to the Starlight's CGU subject to impairment testing, therefore no additional impairment loss was recognised for the financial year ended 31 May 2021.

## Notes to The Consolidated Financial Statements

### 16. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

- (d) An online venue booking platform developed internally by the Company, with estimated useful life of five years is tested for impairment and there is no indication that it needs to be impaired.
- (e) An online energy billing management platform is developed internally by the Company which the development costs incurred have been capitalised as intangible assets. The platform has a useful live of five years and is tested for impairment and there is no indication that it needs to be impaired.

### 17. INTERESTS IN ASSOCIATES

	2021 S\$	2020 S\$
Share of net assets	-	-
Goodwill	-	-
	<hr/>	<hr/>
	-	-

Particulars of the Group's interests in associates are as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Percentage of ownership interest/ voting rights/ profit share	Principal activities
Real Icon Sdn Bhd ("Real Icon") (note (a))	Corporation	Malaysia	30%	Provision of asset and energy management software and maintenance services
EASI Technology Co Ltd. ("EASI") (note (b))	Corporation	PRC	35%	Provision of asset and energy management and software and maintenance services

Notes:

- (a) On 9 February 2018, the Group entered into a joint venture agreement (the "Agreement") with a third party, Blue Meche Sdn Bhd. ("BMSB"). Pursuant to the Agreement, the Group committed to inject capital amounted to Rm1,000,000 to Real Icon, being a subsidiary of BMSB, for 30% of its issued share capital. As at 31 May 2021, capital injection amounted to Rm400,000 (equivalent to S\$135,830) has been paid.

Real Icon was established in Malaysia to carry out an energy project for the State of Sarawak's government which involved the supply, installation, testing, maintaining and managing of electricity, gas and water meters in the State of Sarawak, Malaysia.

During the year ended 31 May 2020, impairment loss for goodwill of S\$85,176 was recognised in respect of the Group's interest in Real Icon based on the recoverable amount, being the higher of value in use and fair value less cost of disposal, determined by the management.



## Notes to The Consolidated Financial Statements

## 17. INTERESTS IN ASSOCIATES (Continued)

Particulars of the Group's interests in associates are as follows: (Continued)

Notes: (Continued)

- (b) EASI was established to expand the market of the Company's software products to PRC market. During the year ended 31 May 2020, the Group's management decided to step down as the controlling party of EASI. The Company made an application to the local authority to amend the constitution of EASI, which changed the composition of the board of directors of EASI. Following this amendment, the remaining 50.1% interest in EASI was recognised as interest in an associate and equity accounted for. Since the cost on initial recognition of the investment is zero, it is classified as an immaterial associate of the Group.
- (c) As at 31 May 2021, the Group's share of accumulated unrecognised losses amounted to S\$19,372 (2020: S\$286,712) for Real Icon and EASI.

Summarised financial information in relation to Real Icon is presented below:

	2021 S\$	2020 S\$
<b>As at 31 May</b>		
Current assets	132,905	8,420
Non-current assets	21,449	28,187
Current liabilities	<u>(252,038)</u>	<u>(179,177)</u>
	<u>(97,684)</u>	<u>(142,570)</u>
Included in the above amounts are:		
Bank balances and cash	2,129	574
Current financial liabilities (excluding trade and other payables)	<u>(221,904)</u>	<u>(179,177)</u>
<b>Year ended 31 May</b>		
Loss for the year	<u>5,601</u>	<u>115,642</u>
Total comprehensive loss	<u>5,601</u>	<u>115,642</u>
Included in the above amounts are:		
Depreciation and amortisation	<u>497</u>	<u>2,708</u>

## Notes to The Consolidated Financial Statements

### 17. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information in relation to EASI Technology Co. Ltd is presented below:

	2021 S\$	2020 S\$
<b>As at 31 May</b>		
Current assets	155,800	280,035
Non-current assets	34,833	141,941
Current liabilities	<u>(296,288)</u>	<u>(1,046,975)</u>
	<u>(105,655)</u>	<u>(624,999)</u>
Included in the above amounts are:		
Bank balances and cash	17,422	29,161
Current financial liabilities (excluding trade and other payables)	<u>-</u>	<u>-</u>
	<b>Year ended 31 May 2021 S\$</b>	<b>Period from 28 September 2019 to 31 May 2020 S\$</b>
(Profit)/loss for the year/period	<u>(536,967)</u>	<u>572,279</u>
Total comprehensive (income)/loss	<u>(519,344)</u>	<u>576,093</u>
Included in the above amounts are:		
Depreciation and amortisation	<u>93,387</u>	<u>52,734</u>

### 18. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 May 2021 were as follows:

Name of subsidiaries	Place of incorporation / operation	Issued and fully paid share capital / registered capital	Attributable equity interest held by the Company		Principal activities
			directly	indirectly	
Anacle Systems Sdn. Bhd.	Malaysia	RM100,000	100% (2020: 100%)	-	Provision of asset and energy management and software and maintenance services
Anacle Systems (India) Private Limited	India	Rs100,000	99.99% (note) (2020: 99.99%)	-	Research and development, design, and supervise the manufacturing and assembly process of hardware products
Anacle Systems (Shanghai) Co Ltd.	PRC	-	100% (2020: 100%)	-	Provision of asset and energy management and software and maintenance services
EASI Holdings Pte. Ltd. ("EASI Pte")	Singapore	S\$10	70% (2020: 70%)	-	Investment holding

Note: The non-controlling interest of Anacle Systems (India) Private Limited is not recognised as the directors consider the amount is insignificant to the Group.

## Notes to The Consolidated Financial Statements

## 19. TRADE RECEIVABLES

	2021 S\$	2020 S\$
Trade receivables	7,901,177	6,420,427
Less: provision for expected credit loss	<u>(389,279)</u>	<u>(88,913)</u>
	<u>7,511,898</u>	<u>6,331,514</u>

The ageing analysis of trade receivables (net of impairment losses) at end of the reporting period, based on the invoice date, is as follows:

	2021 S\$	2020 S\$
Within 1 month	6,684,292	3,049,691
2 to 3 months	541,943	3,064,272
4 to 6 months	236,809	144,928
7 to 12 months	<u>48,854</u>	<u>72,623</u>
	<u>7,511,898</u>	<u>6,331,514</u>

The Group and the Company recognised impairment loss based on the accounting policy stated in note 4(g). For details, please refer to note 41.

The Group has a policy allowing its customers credit periods normally ranging from 30 days to 90 days. The Group does not hold any collateral as security.

## 20. CONTRACT ASSETS

	2021 S\$	2020 S\$
Unbilled revenue from contracts in progress	274,401	705,300
Less: provision for expected credit loss	<u>(1,098)</u>	<u>(3,491)</u>
	<u>273,303</u>	<u>701,809</u>

Typical payment terms which impact on the amount of contract assets recognised are as follows:

Projects of provision of enterprise application software solutions and energy management solutions

The Group's project contracts of provision of enterprise application software solutions and energy management solutions include payment schedules which require stage payments over the contracted period once milestones are reached. Unbilled revenue is initially recognised for revenue earned from the provision of enterprise application software solutions and energy management solutions as the receipt of consideration is conditional on successful completion of projects. Upon completion of projects and acceptance by the customer, the amounts recognised as unbilled revenue are reclassified to trade receivables.

## Notes to The Consolidated Financial Statements

### 20. CONTRACT ASSETS (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

After applying the expected credit loss rate to gross amount of contract assets, the management considered that the provision of impairment loss of contract assets amounted to S\$1,098 as at 31 May 2021.

### 21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 S\$	2020 S\$
Deposits	174,549	231,593
Prepayments	242,791	128,599
Other receivables	229,510	277,983
	<u>646,850</u>	<u>638,175</u>

### 22. INVENTORIES

	2021 S\$	2020 S\$
Raw materials	380,569	494,546
Finished goods	455,503	623,985
	<u>836,072</u>	<u>1,118,531</u>

## Notes to The Consolidated Financial Statements

## 23. TRADE PAYABLES

	2021 S\$	2020 S\$
Trade payables	<u>1,751,831</u>	<u>759,623</u>

The Group's trade payables are non-interest bearing. Generally, the credit term received from suppliers of the Group is 30 days.

The ageing analysis of trade payables, based on invoice date, as at the end of the reporting period is as follows:

	2021 S\$	2020 S\$
Within 1 month	1,150,406	554,904
1 to 2 months	485,245	-
2 to 3 months	92,241	176,624
4 to 6 months	-	28,095
7 to 12 months	14,307	-
Over 12 months	9,632	-
	<u>1,751,831</u>	<u>759,623</u>

## 24. CONTRACT LIABILITIES

	2021 S\$	2020 S\$
Contract liabilities arising from:		
Construction projects of Simplicity and Starlight	145,831	120,813
Advance income received for maintenance services	<u>662,942</u>	<u>729,325</u>
Total contract liabilities	<u>808,773</u>	<u>850,138</u>

*Construction projects of Simplicity and Starlight*

Where discrepancies arise between the milestone payments and the Group's assessment of the stage of completion, contract liabilities can arise for construction projects for Simplicity and Starlight.

*Advance income received for maintenance services*

For maintenance services income, the Group receives 10% to 50% of the contract value as deposits from new customers when they sign the maintenance services contracts. The advance payment results in contract liabilities being recognised until the relevant services are rendered by the Group.

The above contract liabilities balances are expected to be realised within 1 year.

## Notes to The Consolidated Financial Statements

### 24. CONTRACT LIABILITIES (Continued)

Movements in contract liabilities:

	Construction projects S\$	Maintenance services S\$	Total S\$
Balance as at 1 June 2019	251,271	428,594	679,865
Deemed disposal of a subsidiary	(138,381)	-	(138,381)
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(112,890)	(428,594)	(541,484)
Increase in contract liabilities as a result of billing in advance of construction contracts	120,813	-	120,813
Increase in contract liabilities as a result of advance payment received from customers of maintenance services	-	729,325	729,325
Balance as at 31 May 2020	120,813	729,325	850,138
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(120,813)	(729,325)	(850,138)
Increase in contract liabilities as a result of billing in advance of construction contracts	145,831	-	145,831
Increase in contract liabilities as a result of advance payment received from customers of maintenance services	-	662,942	662,942
Balance as at 31 May 2021	145,831	662,942	808,773



## Notes to The Consolidated Financial Statements

## 25. OTHER PAYABLES AND ACCRUALS

	2021 S\$	2020 S\$
Accruals	1,026,855	343,823
Other payables	826,897	630,643
Goods and Services Tax payables (note)	319,446	499,416
Provision of onerous contract	21,719	4,389
	<u>2,194,917</u>	<u>1,478,271</u>

Note: Goods and Services Tax is a broad-based consumption tax levied on the import of goods as well as nearly all supplies of goods and services in Singapore.

## 26. PROVISION FOR WARRANTY

	2021 S\$	2020 S\$
At beginning of year	41,000	12,600
(Reversal)/addition during the year	<u>(33,800)</u>	<u>28,400</u>
At end of year	<u>7,200</u>	<u>41,000</u>

The provision for warranty mainly represents the amount recognised for the expected replacement of inventories which have been found to be defective in a project completed in 2014. Apart from the provision of this project, the management also assesses the possibility of further warranty claim based on the Group's recent claim experience and considers the provision for warrant as at 31 May 2021 is adequate.

## Notes to The Consolidated Financial Statements

### 27. DEFERRED GOVERNMENT GRANTS

	S\$		
<b>Cost</b>			
At 1 June 2020	1,265,968		
Addition during the year	<u>388,705</u>		
At 31 May 2021	<u>1,654,673</u>		
<b>Amortisation</b>			
At 1 June 2020	875,625		
Released to profit or loss during the year	<u>779,048</u>		
At 31 May 2021	<u>1,654,673</u>		
<b>Net carrying amount</b>			
At 31 May 2021	<u>-</u>		
At 31 May 2020	<u>390,343</u>		
		<b>2021</b>	<b>2020</b>
		<b>S\$</b>	<b>S\$</b>
Represented by:			
Current portion		<u>-</u>	<u>390,343</u>

The balance of deferred government grants represents grant received under the JSS from Singapore government with regards to government support towards entities during the Covid-19 pandemic situation. The purpose of the JSS is to provide wage support to employers to help them retain their local employees (Singapore Citizens and Permanent Residents) during this period of economic uncertainty. The Company utilised the grant received for compensating wages from April 2020 to May 2021. Therefore, no deferred government grant was recognised as at 31 May 2021.

## Notes to The Consolidated Financial Statements

## 28. BANK FACILITIES

As at 31 May 2021 and 2020, bank facilities in total of S\$1,000,000 were granted to the Company by DBS Limited, which has not been utilised by the Company as at 31 May 2021 and 2020. The Company also has bank facilities from the Hong Kong and Shanghai Banking Corporation amounted to S\$2,000,000, which has not been utilised as at 31 May 2021 and 2020.

All of the banking facilities are subject to the fulfillment of covenants relating to certain of the Company's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Company was to breach the covenants the drawn down facilities would become repayable on demand.

## 29. LEASE LIABILITIES

	2021 S\$	2020 S\$
<b>Current liabilities</b>		
Lease liabilities - current portion	834,051	188,002
<b>Non-current liabilities</b>		
Lease liabilities - non-current portion	3,445,336	78,802
<i>Lease liabilities</i>		<b>Properties S\$</b>
<b>At 1 June 2019</b>		<b>1,044,009</b>
Addition		156,161
Interest expense		34,695
Lease payments		(796,863)
Deemed disposal of a subsidiary		(160,400)
Exchange alignment		(10,798)
<b>At 31 May 2020</b>		<b>266,804</b>
Addition		4,658,461
Interest expense		66,871
Lease payments		(709,512)
Exchange alignment		(3,237)
<b>At 31 May 2021</b>		<b>4,279,387</b>

## Notes to The Consolidated Financial Statements

### 29. LEASE LIABILITIES (Continued)

Future lease liabilities are payable as follows:

	Minimum lease payments S\$	Interest S\$	Present value S\$
<b>At 31 May 2020</b>			
Not later than one year	198,644	10,642	188,002
Later than one year and not later than five years	81,998	3,196	78,802
	<u>280,642</u>	<u>13,838</u>	<u>266,804</u>
	<b>Minimum lease payments S\$</b>	<b>Interest S\$</b>	<b>Present value S\$</b>
<b>At 31 May 2021</b>			
Not later than one year	895,020	60,969	834,051
Later than one year and not later than five years	3,259,396	115,304	3,144,092
Later than five years	302,282	1,038	301,244
	<u>4,456,698</u>	<u>177,311</u>	<u>4,279,387</u>

The present value of future lease payments are analysed as:

	2021 S\$	2020 S\$
Current liabilities	834,051	188,002
Non-current liabilities	3,445,336	78,802
	<u>4,279,387</u>	<u>266,804</u>

## Notes to The Consolidated Financial Statements

## 30. DEFERRED TAXATION

Details of the deferred tax assets and liabilities recognised and movements during the year:

	Accelerated tax depreciation and amortisation S\$	Tax losses S\$	Total S\$
At 1 June 2019	(397,145)	395,000	(2,145)
(Charge)/credit to profit or loss for the year	396,485	(395,000)	1,485
Exchange alignment	78	-	78
At 31 May 2020	(582)	-	(582)
Exchange alignment	12	-	12
At 31 May 2021	(570)	-	(570)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset as at 31 May 2021 and 2020. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2021 S\$	2020 S\$
Deferred tax liabilities	(570)	(582)

As at 31 May 2021, the Group has unutilised tax losses of approximately S\$1,869,726 (2020: S\$3,306,351) that are available for offset against future taxable profits of the Group subject to agreement of the relevant authorities. The amount of S\$317,853 of deductible temporary differences in respect of the unused tax losses has not been recognised due to unpredictability of future profit streams.

## Notes to The Consolidated Financial Statements

### 31. SHARE CAPITAL

	Number of shares	Share Capital S\$
Issued and fully paid:		
At 1 June 2019 and 31 May 2020	399,158,496	20,756,598
Shares repurchased and cancelled during the year (note)	<u>(1,278,000)</u>	<u>(111,421)</u>
At 31 May 2021	<u>397,880,496</u>	<u>20,645,177</u>

Note:

During the year ended 31 May 2021, the Company repurchased its own shares from the market in total of 1,278,000 shares at an aggregate consideration of S\$111,421. The average price of the repurchased shares was S\$0.09 per share. These repurchased shares had been cancelled at the end of the reporting period.

#### Share capital pending allotment

On 26 May 2021, the Board of Directors of the Company approved allotment of 5,020,242 new ordinary shares to its employees according to the share option plan adopted on 10 March 2010 (the "2010 Plan") and another share option plan adopted on 18 December 2013 (the "2013 Plan"). As at 31 May 2021, the new shares has yet to be issued.

## Notes to The Consolidated Financial Statements

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the condensed statement of financial position of the Company as at 31 May 2021 and 2020.

	Notes	2021 S\$	2020 S\$
<b>Non-current assets</b>			
Property, plant and equipment		693,064	50,502
Right-of-use assets		4,112,713	114,309
Intangible assets		849,334	1,741,074
Investments in subsidiaries	18	2,089	2,089
Interest in an associate		-	-
		<u>5,657,200</u>	<u>1,907,974</u>
<b>Current assets</b>			
Trade receivables		7,484,059	6,308,453
Contract assets		273,303	701,809
Other receivables, deposits and prepayments		586,435	583,236
Inventories		805,833	1,016,785
Bank balances and cash		<u>7,854,179</u>	<u>4,443,097</u>
		<u>17,003,809</u>	<u>13,053,380</u>
<b>Current liabilities</b>			
Trade payables		1,732,749	621,829
Contract liabilities		790,229	850,138
Other payables and accruals		2,199,529	1,448,953
Amounts due to a subsidiary		46,574	128,112
Provision for warranty		7,200	41,000
Deferred government grants		-	390,343
Lease liabilities		<u>757,004</u>	<u>116,464</u>
		<u>5,533,285</u>	<u>3,596,839</u>
<b>Net current assets</b>		<u><b>11,470,524</b></u>	<u><b>9,456,541</b></u>
<b>Total assets less current liabilities</b>		<u><b>17,127,724</b></u>	<u><b>11,364,515</b></u>
<b>Non-current liabilities</b>			
Provision for reinstatement cost		60,000	-
Lease liabilities		<u>3,445,336</u>	<u>-</u>
		<u>3,505,336</u>	<u>-</u>
<b>NET ASSETS</b>		<u><b>13,622,388</b></u>	<u><b>11,364,515</b></u>
<b>Capital and reserves</b>			
Share capital	31	20,645,177	20,756,598
Reserves	33	<u>(7,022,789)</u>	<u>(9,392,083)</u>
<b>TOTAL EQUITY</b>		<u><b>13,622,388</b></u>	<u><b>11,364,515</b></u>

Mr. Lau E Choon Alex  
Director

Mr. Ong Swee Heng  
Director



## Notes to The Consolidated Financial Statements

### 33. RESERVES

#### Movement of the reserves of the Company

	Share capital pending allotment (note 31) S\$	Share premium S\$	Share-based compensation reserve S\$	Exchange fluctuation reserve S\$	Accumulated losses S\$	Total S\$
<b>At 1 June 2019</b>	-	(1,376,024)	1,385,381	252	(9,612,131)	(9,602,522)
Profit for the year	-	-	-	-	176,791	176,791
Recognition of share based payment expenses	-	-	33,648	-	-	33,648
Lapse of share options	-	-	(571,330)	-	571,330	-
Forfeiture of share options	-	-	(158,945)	-	158,945	-
<b>At 31 May 2020</b>	-	(1,376,024)	688,754	252	(8,705,065)	(9,392,083)
Profit for the year	-	-	-	-	2,139,794	2,139,794
Exercise of share options (note 34)	229,500	-	(365,824)	-	365,824	229,500
<b>At 31 May 2021</b>	<b>229,500</b>	<b>(1,376,024)</b>	<b>322,930</b>	<b>252</b>	<b>(6,199,447)</b>	<b>(7,022,789)</b>

## Notes to The Consolidated Financial Statements

### 34. SHARE-BASED PAYMENTS

The Board of Directors of the Company approved and adopted the 2010 Plan on 10 March 2010 the 2013 Plan on 18 December 2013 for the purpose of providing eligible individuals who are responsible for the management, growth and financial success of the Company or who otherwise render valuable services to the Company with the opportunity to acquire a proprietary interest, or increase their proprietary interest, in the Company and thereby encourage them to remain in the service of the Company.

Eligible individuals of both 2010 Plan and 2013 Plan include directors, officers, employees of the Company and its subsidiaries, and independent consultants, advisors and independent contractors who provide valuable services to the Company and its subsidiaries.

No options granted under the 2010 Plan and 2013 Plan shall have a term in excess of 10 years from the grant date. The maximum number of shares that may be granted over the term of the 2010 Plan and 2013 Plan shall not exceed 10% of the issued share capital of the Company, unless otherwise approved by the Board of Directors.

#### (a) The 2010 Plan

The terms and conditions of the grants and movements in the number of share options under the 2010 Plan during the year were as follows:

2021

Category of participant	Date of grant	Number of shares issuable under share options					At the end of the year	Exercise price S\$
		At beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year		
Employees	1-Aug-13	944,853	-	(944,853)	-	-	-	0.009
	1-May-15	1,365,000	-	(682,500)	-	-	682,500	0.009
	1-Jun-16	455,000	-	(227,500)	-	-	227,500	0.009
Total		2,764,853	-	(1,854,853)	-	-	910,000	

## Notes to The Consolidated Financial Statements

## 34. SHARE-BASED PAYMENTS (Continued)

## (a) The 2010 Plan (Continued)

## 2020

Category of participant	Date of grant	Number of shares issuable under share options					At the end of the year	Exercise price S\$
		At beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year		
Directors	10-Mar-10	9,939,566	-	-	-	(9,939,566)	-	0.009
Employees	10-Mar-10	2,484,937	-	-	-	(2,484,937)	-	0.009
	1-Jun-13	5,460,000	-	-	(2,730,000)	(2,730,000)	-	0.009
	1-Aug-13	3,779,594	-	-	-	(2,834,741)	944,853	0.009
	1-May-15	2,730,000	-	-	-	(1,365,000)	1,365,000	0.009
	1-Jun-16	455,000	-	-	-	-	455,000	0.009
Sub-total		14,909,531	-	-	(2,730,000)	(9,414,678)	2,764,853	
Total		24,849,097	-	-	(2,730,000)	(19,354,244)	2,764,853	

## (b) The 2013 Plan

## 2021

Category of participant	Date of grant	Number of shares issuable under share options					At the end of the year	Exercise price S\$
		At beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year		
Employees	1-Jun-16	6,330,779	-	(3,165,389)	-	-	3,165,390	0.067

## 2020

Category of participant	Date of grant	Number of shares issuable under share options					At the end of the year	Exercise price S\$
		At beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year		
Employees	1-Jun-16	6,330,779	-	-	-	-	6,330,779	0.067

## Notes to The Consolidated Financial Statements

## 34. SHARE-BASED PAYMENTS (Continued)

## (b) The 2013 Plan (Continued)

The options are exercisable once the vesting conditions are met. If the options are vested when the Company is privately held, the options shall expire on earlier of 10 years from vesting date or 3 years from the initial public date. If the options are vested when the Company is a public company, the options shall expire on 3 years from vesting date.

- (c) The movement of number of outstanding share options and weighted average exercise prices of the share options are as follows:

	2021		2020	
	Weighted average exercise price S\$	Number	Weighted average exercise price S\$	Number
Outstanding at beginning of year	0.049	9,095,632	0.021	31,179,876
Forfeited during the year	-	-	0.009	(2,730,000)
Lapsed during the year	-	-	0.009	(19,354,244)
Exercised during the year	0.046	(5,020,242)	-	-
Outstanding at the end of year	0.054	4,075,390	0.049	9,095,632

The weighted average exercise price of options outstanding at the end of the year is S\$0.054 (2020: S\$0.049) and the weighted average remaining contractual life was 1.81 years (2020: 2.54 years).

Of the total number of options outstanding at end of the year, 4,075,390 (2020: 9,094,471) had vested and were exercisable.

## Notes to The Consolidated Financial Statements

### 35. NOTES SUPPORTING CASH FLOW STATEMENTS

Reconciliation of liabilities arising from financing activities:

	Bank borrowings S\$	Lease liabilities S\$	Total S\$
At 1 June 2019	103,325	1,044,009	1,147,334
Changes from financing cash flows:			
Decrease in bank borrowings	(103,325)	-	(103,325)
Payment of lease liabilities	-	(796,863)	(796,863)
Interest paid	(1,629)	-	(1,629)
Total changes from financing cash flows	(104,954)	(796,863)	(901,817)
Other changes:			
Interest expense	1,629	34,695	36,324
Addition of new lease	-	156,161	156,161
Deemed disposal of a subsidiary	-	(160,400)	(160,400)
Exchange alignment	-	(10,798)	(10,798)
Total liability-related other changes	1,629	19,658	21,287
At 31 May 2020	-	266,804	266,804
Changes from financing cash flows:			
Payment of lease liabilities	-	(709,512)	(709,512)
Total changes from financing cash flows	-	(709,512)	(709,512)
Other changes:			
Interest expense	-	66,871	66,871
Addition of new lease	-	4,658,461	4,658,461
Exchange alignment	-	(3,237)	(3,237)
Total liability-related other changes	-	4,722,095	4,722,095
At 31 May 2021	-	4,279,387	4,279,387

## Notes to The Consolidated Financial Statements

## 36. LEASES

## (a) Leases as lessee

The Group leases office properties. The leases typically run for a period of one to six years. Lease payments are renegotiated every one to six years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

## (i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as right-of-use assets.

	Properties S\$
At 1 June 2019	1,044,009
Addition	156,161
Depreciation charge for the year	(773,649)
Deemed disposal of a subsidiary	(159,402)
Exchange alignment	(10,558)
	<hr/>
At 31 May 2020	256,561
Additions	4,718,461
Depreciation charge for the year	(789,710)
Exchange alignment	(3,057)
	<hr/>
At 31 May 2021	<u>4,182,255</u>

## (ii) Amounts recognised in profit or loss

	S\$
<b>2021</b>	
Interest on lease liabilities	66,871
Expenses relating to short-term leases and leases of low-value assets	4,326
	<hr/>
	71,197
	<hr/>
Aggregate undiscounted commitments for short-term leases	-
	<hr/>
	S\$
<b>2020</b>	
Interest on lease liabilities	34,695
Expenses relating to short-term leases	8,927
	<hr/>
	43,622
	<hr/>
Aggregate undiscounted commitments for short-term leases	<u>2,660</u>

## Notes to The Consolidated Financial Statements

### 36. LEASES (Continued)

#### (a) Leases as lessee (Continued)

##### (iii) Amounts recognised in consolidated statement of cash flows

	S\$
2021	
Total cash outflow for leases	<u>(709,512)</u>
	S\$
2020	
Total cash outflow for leases	<u>(796,863)</u>

#### (b) Leases as lessor

The Group leases out its Starlight meters. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during 2021 was S\$59,025 (2020: S\$58,470).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2021 S\$	2020 S\$
Within one year	<u>34,785</u>	<u>58,800</u>

### 37. CAPITAL COMMITMENTS

	2021 S\$	2020 S\$
Commitments for the acquisition of:		
Investment in an associate	<u>191,822</u>	<u>195,122</u>



## Notes to The Consolidated Financial Statements

### 38. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

	2021 S\$	2020 S\$
Provision of manpower charges from an associate, EASI (note)	<u>392,607</u>	<u>40,842</u>

Note:

The transaction were made at prices mutually agreed by both parties.

- (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2021 S\$	2020 S\$
Salaries, allowances and benefits in kind	1,624,540	1,204,782
Share-based payments	-	13,090
Contributions on defined contribution retirement plans	<u>99,688</u>	<u>91,079</u>
	<u>1,724,228</u>	<u>1,308,951</u>

### 39. MATERIAL INTEREST OF DIRECTORS IN TRANSACTION, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

### 40. CAPITAL RISK MANAGEMENT

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Consistent with industry practice, the Group monitors its capital structure on the basis of the gearing ratio. This gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings representing the lease liabilities as shown in the consolidated statement of financial position less bank balances and cash. Total capital is calculated as equity as shown in the consolidated statement of financial position.

## Notes to The Consolidated Financial Statements

### 40. CAPITAL RISK MANAGEMENT (Continued)

During the year, the Group's strategy was to maintain a minimum gearing ratio. The gearing ratio as at the end of the year was as follows:

	2021 S\$	2020 S\$
Total borrowing	4,279,387	266,804
Less: bank balances and cash	<u>(8,176,761)</u>	<u>(4,749,041)</u>
Net cash	<u>(3,897,374)</u>	<u>(4,482,237)</u>
Total capital	<u>14,078,044</u>	<u>11,827,282</u>
Gearing ratio	<u>N/A</u>	<u>N/A</u>

### 41. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below.

#### (a) Credit risk

The carrying amounts of cash and cash equivalents, trade and other receivables and contract assets represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are state-owned commercial banks in China or public listed companies. Most of the bank deposits of the Group are placed with commercial banks with an acceptable credit rating.

For trade and other receivables and contract assets, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Most of these balances are due from state-owned enterprises or major customers with good repayment history. There was no material default of the balances in the past.

Trade receivables and contract assets

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicated significantly different loss patterns for different customer segments, the grouping for trade receivables for the assessment of ECLs is by due date aging, while one group represents a credit-impaired customer with significant risk of default.

## Notes to The Consolidated Financial Statements

## 41. FINANCIAL RISK MANAGEMENT (Continued)

## (a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

## 2021

By Due Day	Not past due	Within 1 month	1 – 3 months	Over 3 months	Default customer	Total
Expected credit loss rate (%)	0.47%	1.40%	4.53%	17.40%	100%	
Gross carrying amount (S\$)	6,995,901	465,248	240,661	162,183	311,585	8,175,578
Loss allowance (S\$)	33,181	6,496	10,895	28,220	311,585	390,377

## 2020

By Due Day	Not past due	Within 1 month	1 – 3 months	Over 3 months	Default customer	Total
Expected credit loss rate (%)	0.56%	1.50%	2.89%	12.70%	100%	
Gross carrying amount (S\$)	4,028,444	2,483,207	532,381	73,691	8,004	7,125,727
Loss allowance (S\$)	22,422	37,248	15,371	9,359	8,004	92,404

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables and contract assets.

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

## Notes to The Consolidated Financial Statements

### 41. FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Credit risk (Continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2021 S\$	2020 S\$
At beginning of year	92,404	174,053
Provision/(reversal of provision) for the year	299,219	(30,820)
Amounts write-off as uncollectable	-	(50,748)
Exchange difference	(1,246)	(81)
	<u>390,377</u>	<u>92,404</u>

#### Other receivables

Other receivables mainly represent amounts due from employees for the pending allotment of new ordinary shares. It is considered to be low risk as the employees are considered, in the short term, to have a strong capacity to meet their obligations, and therefore the impairment provision is determined as 12-months ECLs. The loss allowance for other receivables as a result of applying the expected credit risk model was immaterial.

Movement in the loss allowance account in respect of other receivables during the year is as follows:

	2021 S\$	2020 S\$
At beginning of year	67,846	11,936
(Reversal of provision)/provision for the year	(67,846)	55,910
	<u>-</u>	<u>67,846</u>

## Notes to The Consolidated Financial Statements

## 41. FINANCIAL RISK MANAGEMENT (Continued)

## (b) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the reporting date) and the earliest date the Group can be required to pay.

	Carrying amount S\$	Total contractual undiscounted cash flow S\$	Within 1 year or on demand S\$	More than 1 year but less than 2 years S\$	More than 2 years but less than 5 years S\$	More than 5 years S\$
<b>2021</b>						
Trade payables	1,751,831	1,751,831	1,751,831	-	-	-
Other payables and accruals	1,853,752	1,853,752	1,853,752	-	-	-
Amount due to a director	10,395	10,395	10,395	-	-	-
Provision for reinstatement cost	60,000	60,000	-	-	-	60,000
Lease liabilities	4,279,387	4,456,698	895,020	814,849	2,444,547	302,282
	7,955,365	8,132,676	4,510,998	814,849	2,444,547	362,282

	Carrying amount S\$	Total contractual undiscounted cash flow S\$	Within 1 year or on demand S\$	More than 1 year but less than 2 years S\$	More than 2 years but less than 5 years S\$	More than 5 years S\$
<b>2020</b>						
Trade payables	759,623	759,623	759,623	-	-	-
Other payables and accruals	978,855	978,855	978,855	-	-	-
Amount due to a director	9,890	9,890	9,890	-	-	-
Lease liabilities	266,804	280,642	198,644	81,998	-	-
	2,015,172	2,029,010	1,947,012	81,998	-	-

## Notes to The Consolidated Financial Statements

### 41. FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Interest rate risk

Other than bank balances with variable interest rates, the Group has no other significant interest bearing assets. Management does not anticipate any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk mainly arises from lease liabilities as disclosed in note 29. Lease liabilities were issued at fixed rates which expose the Group to fair value interest risk. The Group has no cash flow interest rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

#### (d) Currency risk

The Group mainly operated in Singapore with most of the transactions settled in Singapore Dollars and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

### 42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities recognised at the end of reporting period were categorised as follows:

	2021 S\$	2020 S\$
<b>Financial assets</b>		
Financial assets at amortised cost	<u>16,366,021</u>	<u>12,291,940</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised costs	<u>7,955,365</u>	<u>2,015,172</u>

### 43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were reviewed by the Audit Committee and approved and authorised for issue by the Board of Directors on 20 August 2021.







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